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Canada's Coasting Trade, Royal
Commission on

**ROYAL COMMISSION ON COASTING
TRADE**

Hearings - 1955

VOL 10

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1 ROYAL COMMISSION ON COASTING TRADE

2
3 Report of hearing held at Montreal,
4 Quebec, commencing Tuesday,
5 October 4, 1955, at 10.10 a.m.

6
7 PRESENT:

8 THE CHAIRMAN, The Honourable Mr. Justice
9 W.F. Spence.

10 Mr. W.N. Wickwire, Q.C.)

) Commissioners

11 Mr. M. Belanger, C.A.)

12 Mr. D.W. Mundell, Q.C.)

) Commission Counsel

13 Mr. Paul Gerin-Lajoie)

14 Mr. H. Kemp

Economic Adviser to
the Commission

15 ---Mr. P. Cimon

Ass't Secretary

16 -----
17
18

19 THE CHAIRMAN: The Royal Commission on
20 Coasting Trade commencing sittings in the City of
21 Montreal. I may inform those who represent various
22 interests that counsel have drawn a list of those
23 briefs which are to be considered here and counsel
24 will be able to supply any one with the necessary
25 information, a copy of the list is being posted on
26 the notice board, and if there are any persons who
27 desire any alterations in the list they should
28 confer with counsel.

29 This list is divided with the various briefs
30 set down with various hearing dates. It must be



1 understood that there can be no guarantee that a
2 brief will be reached on the date allotted. All we
3 can guarantee is that a representative will not be
4 called before that date so that he may feel safe in
5 making appointments and arrangements up to the date
6 under which the name of the interest appears on the
7 list.

8 Now, to-day we have the St. Lawrence Municipal
9 Bureau of the City of Montreal. The Canadian
10 Industrial Preparedness Association. Canadian
11 Maritime Transport Workers' Association. Con-
12 solidated Paper Corporation Limited; and Anticosti
13 Shipping Company.

14 Mr. Belanger.

15 COMMISSIONER BELANGER: Comme on vient de nous
16 le dire, ceci est la Commission royale d'enquête sur
17 le cagotage, et nous sommes très heureux de venir
18 siéger dans la ville de Montréal pour plusieurs
19 jours. On vous a aussi dit qu' une liste des
20 différentes personnes qui doivent apparaître devant
21 la Commission est affichée. Maintenant, si
22 d' autres personnes qui ne sont pas mentionnées ici
23 desirent se présenter devant la Commission, elles
24 sont parfaitement libres de le faire, et nous leur
25 demandons de bien vouloir s' adresser à Me Paul
26 Gerin-Lajoie ou Me D. M. Mundell, avocats de la
27 Commission.

28 Inutile de vous dire qu' en s' adressant
29 à la Commission, chaque personne est libre de ce
30 faire dans la langue de son choix, soit en



1 français, soit en anglais.

2 THE CHAIRMAN: You may list, Mr. Lajoie, those
3 who are appearing on behalf of the various interests,
4 the briefs of which are to be considered to-day.

5 MR. GERIN-LAJOIE: Will those appearing for the
6 various groups presenting briefs to-day identify
7 themselves, please, for the purposes of the record.
8 Le Bureau municipal de la canalisation du Saint
9 Laurent.

10 MR. ALBERT BERTHIAUME, Q.C. Me Berthiaume,
11 avocat de la Cité et M. George Mooney qui représente
12 le Bureau municipal.

13 MR. GERIN-LAJOIE: The Canadian Industrial
14 Preparedness Association.

15 MR. HOWARD: G.B. Howard.

16 MR. GERIN-LAJOIE: The Canadian Maritime
17 Transport Workers' Association?

18 ---No response.

19 MR. GERIN-LAJOIE: The Consolidated Paper
20 Corporation Limited?

21 ---No response.

22 MR. GERIN-LAJOIE: Anticosti Shipping Company?

23 ---No response.

24 MR. GERIN-LAJOIE: May I proceed now, Mr.
25 Chairman?

26 THE CHAIRMAN: Yes, proceed, please.

27 MR. GERIN-LAJOIE: Le bureau municipal of
28 the City of Montreal.

29 MR. ALBERT BERTHIAUME, Q.C.: Mr. Chairman,
30 members of the Royal Commission, je suis



1 particulièrement heureux de l' honneur qui m' est
2 fait de représenter la Cite de Montréal devant votre
3 Commission royale.

4 The City of Montreal, due to the proposed
5 development of the Seaway, has created what is called
6 the St. Lawrence Municipal Bureau. One of the main
7 objects of this Bureau being to study the effects
8 which the proposed development of the Seaway might
9 have in the main interests of the City of Montreal.

10 I do not pretend to be an expert in all of
11 these matters. I will just give to your Royal
12 Commission a brief summary of the memoranda which
13 I understand has been submitted already to your
14 Commission and which you have had in your hands for
15 a certain length of time.

16 This Bureau has thought it advisable to give
17 a brief background, a historical background of the
18 City of Montreal. As everybody knows, for a great
19 number of years the Harbour and Port of Montreal has
20 been the main port, oceanport and inland port
21 for ocean-going vessels and for a greater number
22 of years, that is, almost from the beginning of the
23 colony here, it has been the converging point for
24 the inland trade and railway shipping. We might
25 go as far back as the coureurs des bois to say
26 it was the main converging point at that time.

27 It has developed, of course, and it has
28 become what it is to-day mainly during the last
29 one hundred years. We point out in this memorandum
30 that it was the merchant community of the City



1 of Montreal that first saw and felt the necessity of
2 deepening the Seaway between Quebec and Montreal.

3 It is explained in the memorandum there was an
4 act to provide for the improvement and enlargement
5 of the Harbour of Montreal as far back as 1830.
6 Some improvements were made in due course of the
7 years. At times it was almost abandoned, but
8 finally it has become what it is to-day during the
9 last, you may say, 40 or 50 years.

10 This background of historical notes is given
11 merely to establish two facts, first, that it was
12 due to the initiative of the merchants of Montreal
13 that the port has developed to where it is to-day
14 and that, secondly, this development has grown up
15 and has brought a substantial development of
16 diversified economic activity really to the port
17 and to the shipping industry.

18 It follows necessarily that the City of
19 Montreal has an interest in continuing the welfare
20 of the port and harbour of Montreal and in the
21 broad and improved economic activities which these
22 facilities engender and this is the reason whereby
23 the St. Lawrence Municipal Bureau was created
24 so far.

25 I understand this is given also in our
26 memorandum, that the inland water system has been
27 restricted to ocean and large ships by the
28 limiting factors which follow: One, the width and
29 depth of the navigable natural channels; two,
30 the width and depth and length of the dredged



1 canals and inland lock and canal system; three, the
2 laws of Canada governing the right to transport
3 passengers and cargo from one Canadian port direct
4 to another Canadian port.

5 This has meant in practice that lake and ocean
6 vessels entering the inland system beyond the rapids
7 cannot exceed 14 feet in draught and 255 feet in
8 length. Secondly, that lake vessels exceeding those
9 dimensions but not exceeding $23\frac{1}{2}$ feet in draught and
10 715 feet in length can travel all the way to and
11 from Prescott; thirdly, that ocean ships of all
12 registries which conform to the physical limitation
13 imposed are free to transport goods and people to
14 and from a Canadian port direct to and from a foreign
15 port, but they are not allowed to engage in domestic
16 cargo and passenger trade to and from a Canadian
17 port to another Canadian port; fourthly, only
18 vessels of Canadian registry and also by some kind
19 of agreement of British registry are allowed to
20 transport goods or passengers from one Canadian port
21 to another Canadian port.

22 The purely domestic coastal trade so far has
23 been limited due to the limiting factors which our
24 memorandum has also mentioned but the situation
25 which might be created by the development of the
26 Seaway might be such that this movement of vessels
27 of British and foreign registry might be in a much
28 broader sense that vessels of British and Canadian
29 registry will be free to compete for the inter-
30 port domestic trade originating and terminating



1 at Canadian ports and anywhere in Canadian waters.

2 Vessels of any registry, Canadian, United
3 States, British and foreign, will be free to compete
4 for inter-port, international trade originating in
5 either a Canada or a United States port and terminat-
6 ing in the ports of the other countries.

7 This will certainly bring a state of conditions
8 which may present a major problem to be studied.
9 This problem arises from the fact that while the
10 Canadian shipping industry is prepared to meet fair
11 competition, be it from British or United States or
12 foreign shipyards, their efforts to do so might be
13 much impaired by the fact that wages and costs in other
14 countries may be much cheaper than they are in
15 Canada.

16 The higher wages and material costs prevailing
17 in Canada means higher production costs for the
18 building of Canadian ships and higher maintenance
19 and operating costs for ship owners. In turn, these
20 higher costs must necessarily find reflection in
21 higher cargo rates.

22 In the face of this new situation, it might
23 develop that the Canadian shipping industry might
24 suffer great damages and may be driven out of
25 business.

26 To the extent that it happens, it could have
27 the following adverse effects on the economy of
28 the city. We give, sir, in our memorandum first
29 the effect on employment. We note that, of
30 course, the shipping industry does not mean only



1 the transporting of goods or passengers from one point
2 to another. It means also that other sub-industries
3 or sub-trades may be well affected. We have taken
4 in our memorandum, wanting to give some figures on
5 that point, we have considered in our memorandum
6 what in a typical year forgetting or leaving aside
7 the peak year where the trade may be much more
8 considerable or the lower years where the trade is
9 not of much importance. We have considered the year,
10 for instance, 1951. Our figures given on page 6
11 are based on the figures of that year.

12 In 1951 the total labour force employed in
13 Montreal shipyards averaged approximately 2,300. To
14 this number should be added the labour force engaged
15 in local industries supplying materials and com-
16 ponents. When we estimate this number to be
17 approximately 1,000 employees, then the total labour
18 force employed directly or indirectly in the ship-
19 building industry is during^a normal peace time year
20 totals somewhere in the neighbourhood of 3,300
21 persons.

22 To this we have a number of persons employed
23 directly in ship plants and in 1951 this number was
24 6,539, making a total of about 10,000 persons
25 employed in the shipping trade itself or other
26 component trades.

27 It might very well be seen that any situation
28 which might affect those people not only in that
29 trade but in that kind of business is of very much
30 importance to the City of Montreal.



1 By the same reasoning we might very well say
2 that it would have a great effect on the general
3 business activity in the City of Montreal. Those
4 people are buying goods. They are living in Montreal
5 or in the vicinity or area. They spend their money
6 here. This will affect the commerce and trade of
7 the whole region. All this money is lost to the
8 city.

9 We are also concerned with the possible loss
10 of taxes, either to the municipality or the govern-
11 ment or other sources.

12 This so far is only or may be a negative
13 approach. But we want to conclude our case on this
14 by a more positive approach which I would ask your
15 permission to read.

16 "A more positive approach to the problem

17 "would be -- "

18 I am reading from page 5 of our memorandum.

19 "A more positive approach to the problem

20 "would be to take such measures as will

21 "prevent such eventualities from developing.

22 "In effect, this will require appropriate

23 "action by the Federal Government aimed at

24 "assuring the continued well-being of

25 "commercial shipbuilding in Canada and the

26 "introduction of such restrictive and

27 "regulatory measures as will place Canadian

28 "shipping on a more equal competitive

29 "footing with the shipping of British

30 "registry in so far as the domestic inland



1 "coastal trade is concerned and with British
2 "and all foreign flag shipping in so far as
3 "the international inland coastal trade is
4 "concerned."

5 We do not take any special position as to what
6 actual steps should be taken in that direction. Some
7 will probably argue the status quo should be maintained.
8 Others that all foreign or even British ships should
9 be restricted from the trade or some other steps be
10 taken. We just point out to the Commission there
11 the important points which we think are vital to the
12 City of Montreal and we just point out that some
13 action should be taken by the Federal authorities in
14 order to make our shipping industry and trade on the
15 same footing as others which may be in a position to
16 compete with us.

17 We just conclude our notes on page 10 by just
18 saying the large amount of money which Canada has
19 invested in opening up the St. Lawrence-Great Lakes
20 system to the shipping of all flag registries warrants
21 the application of such restrictive and regulatory
22 measures as will place Canadian flag shipping on a
23 fair basis with its competitors. To do more would
24 be discriminating. To do less would be to deny to
25 the Canadian shipping interests their legitimate
26 right to a reasonable measure of protection in their
27 own national waters.

28 Now, Mr. Chairman, for more enlightenment
29 to your Commission, Mr. Mooney is here. He knows,
30 of course, much more about the problems even than



I do myself, and he will be ready to furnish to you all further information that you may want.

1
2 MR. GERIN-LAJOIE: Q. Mr. Berthiaume, the
3 Commission would appreciate having an explanation of
4 the general pattern of shipping in and out of
5 Montreal, particularly as regard to the type of goods,
6 the type of bottoms used, and the relation between
7 international and coastal trade. I understand that
8 you and Mr. Mooney are unable to give this information
9 to the Commission this morning.

10 MR. BERTHIAUME: It may be Mr. Mooney would be
11 able to say that. He would be in a position to give
12 you information and general figures. We will be
13 glad, of course, to furnish that. We will make the
14 necessary search and give you all necessary infor-
15 mation.

16 THE CHAIRMAN: I think that would be a matter
17 of some value. You may get in touch with counsel and
18 it may be presented to them.

19 MR. BERTHIAUME: We can get in touch with Mr.
20 Lajoie.

21 MR. GERIN-LAJOIE: Q. I should like to ask
22 you a few questions to clarify or elaborate certain
23 points in your brief. First of all, regarding the
24 employment figures given. I am referring particularly
25 to page 6 of the brief as it appears in the bound
26 volume of the Commission. You mention there in
27 1951 the total labour force employed in Montreal
28 shipyards averaged approximately 3,300 people?

29 A. 2,300.
30



1 Q. Would you care to mention if these
2 figures refer to only one shipyard in Montreal?

3 MR. BERTHIAUME: Mr. Mooney will give you that
4 information.

5 MR. MOONEY: That is substantially the employ-
6 ment of one shipyard.

7 Q. That is Canadian Vickers?

8 MR. MOONEY: That is correct.

9 Q. Does that include also the employment in
10 some other industries?

11 MR. MOONEY: There are several other smaller
12 ship builder companies. The aggregate employment
13 is negligible. That is the substantial figure.

14 Q. Would you care to mention the firms
15 from which these figures have been calculated?

16 MR. MOONEY: This figure has been calculated --
17 of course, these figures are produced by the
18 Dominion Bureau of Statistics and includes three or
19 four or probably five or six small building
20 organizations in addition to, of course, the central
21 major industry which is Vickers.

22 Q. Do I understand that figure of 2,300
23 not only includes those engaged in the shipbuilding
24 industry itself but also the industrial work or
25 engineering work, as it is also called, done by some
26 shipyard firms?

27 A. No, I think that figure of 2,300 is
28 actually those engaged in shipyards proper. The
29 other figure, which is the additional figure,
30 would add to that. That is employed in related



industries, shipbuilding suppliers.

1 Q. I understand Canadian Vickers Limited
2 has got two divisions within one company. It has a
3 marine division and an engineering division. I wonder
4 if this figure of 2,300 includes or covers both?

5 A. It covers both.

6 THE CHAIRMAN: Q. It covers both?

7 A. It includes the over-all shipbuilding
8 phase of the Vickers organization.

9 Q. But there is an industrial division
10 there?

11 A. I am sorry, Mr. Chairman. This is
12 strictly those engaged in the shipbuilding phase of
13 the industry.

14 MR. GERIN-LAJCIE: Q. Can you mention to the
15 Commission the source of this figure?

16 A. Well, is it D.B.S.? Yes, it is the
17 Dominion Bureau of Statistics figure.

18 Q. It is only shown as a figure there?

19 A. It is shown as a figure in the aggregate
20 of workers employed in the shipbuilding trade.

21 Q. I am a bit puzzled. I do not under-
22 stand your answer because Vickers, if I understand
23 the situation correctly, have an industrial division
24 which does industrial work, probably for a sale
25 outside the company, and they also do some work
26 which is used or which is of some benefit to the
27 marine or shipbuilding division, so I really
28 wonder if it is quite clear this figure covers
29 only one division and not the other?
30



1 A. Yes, this figure is -- I think it is fair
2 to presume -- includes strictly those engaged in the
3 shipbuilding trade. It is obvious that the Dominion
4 Bureau of Statistics figures are not only based on the
5 employed but on the basis of the type of employment
6 within the company.

7 Q. A little bit further on in your brief you
8 mention in addition to those engaged in shipbuilding
9 construction, there is the labour force required for
10 the operation of merchant marine shipping.

11 A. Yes.

12 Q. I quote, "In 1951, there were 6,539
13 persons in the Montreal area engaged in water trans-
14 portation or in services incidental to water
15 transportation."

16 Will that figure include persons engaged in
17 the operation of ships registered in the United
18 Kingdom as well as those registered in Canada?

19 A. If they resided in Montreal. Actually
20 that figure is the 1951 census of employment. These
21 were residents of the City of Montreal who indicated
22 they were employed in a trade which was related to
23 the operating or maintenance of ships.

24 Q. I imagine in that case we can hardly
25 conclude that all those persons would be affected
26 if, let us say, the competition of British operated
27 ships were to put out of business, if it went that
28 far, Canadian operated ships?

29 A. Well, I would not think the U.K. flag
30 ship or the foreign flag ship would be likely to



employ Montreal labour at our rates when they can get labour much cheaper elsewhere.

THE CHAIRMAN: Q. Those employed in water transportation in the census would include the meter man, it would include the crews of ferry boats and it would include all sorts of people?

A. Yes. Those types of trades, Mr. Chairman, would be relatively negligible in relation to the total.

MR. GERIN-LAJOIE: Q. You are going to provide all these figures?

A. Yes, I can provide them.

Q. Provide the source and provide full figures, please?

A. Yes.

Q. Can you also mention the total employment in the City of Montreal so that the Commission has a point of comparison?

A. Yes, I have it here. I will mention it in my complete memorandum.

Q. What is the figure you have?

A. In 1951 in manufacturing industries alone the total employment in the city was of the aggregate of 217,000. In relation to the over-all labour force not included in industrial manufacturing like service industries, accounted for approximately 110,000.

Q. A little further on at page 7 of the brief as it appears in the book published by the Commission you have a dollar figure mentioned there.



1 Are these figures also from the D.B.S. or are they
2 from the Shipbuilding Industry reference that you
3 have there?

4 A. The Shipbuilding Industry is the name of
5 the document produced by the Dominion Bureau of
6 Statistics published in 1953.

7 Q. I presume the Commission can refer to
8 that document for greater detailed information?

9 A. Yes.

10 Q. Or a more specific breakdown. Regarding
11 the aspect of local taxes mentioned in your brief
12 also, are you in a position to give the figures here
13 to show to what extent, for instance, the sales tax,
14 the Montreal sales tax produced on the sales of your
15 purchases of materials for the shipbuilding industry?

16 A. I doubt it. We will pursue an inquiry
17 to see to what extent we might arrive at a fair
18 estimate.

19 Q. On the problem of competition between
20 British flag and Canadian flag ships, I refer to
21 page 4, paragraph 14 of your brief. You say:

22 "It is to be expected that ships of British
23 "registry will seek to avail themselves of
24 "the domestic trade potentialities offered
25 "by the movement of goods between Canadian
26 "ports."

27 Well, will you explain to the Commission, Mr.
28 Mooney, how in your view British ships could be
29 expected to operate in the St. Lawrence Seaway-
30 Great Lakes coasting trade? I am not talking



1 about international trade. Under what conditions
2 would you expect them to operate?

3 A. I would expect them to operate within
4 the Great Lakes inland coastal system plying much the
5 way any Canadian ship would operate. There is no
6 restriction at the moment which prevonts them. There
7 is no regulatory measure which precludes them from
8 doing so. Inasmuch as they by virtue of thoir
9 operating costs are able to offer probably cargo
10 rates which would be probably less than the Canadian
11 flag ship would offer, they are likely to be an
12 important and probably a compelling competitive
13 factor.

14 Q. Would you expect British flag ships or
15 would you expect U.K. ship owners to operate with
16 ocean ships in the St. Lawrence Seaway or with other
17 types of ships comparable to the lake ships of the
18 McLagan type and Misener type?

19 A. I would doubt if they would operate
20 comparable ships such as the McLagan type of ship.
21 I would think that they would operate inland ocean-
22 going vessels constructed to conform with the
23 physical limitation imposed by the inland locking
24 navigable channel system. They would be probably
25 ships now in use that are able to -- now constructed
26 that would be able to navigate and pass through
27 the inland system. They may be small types,
28 especially designed for the inland coastal trade
29 of Canada. They might come over here on an
30 indefinite stay and remain locked up within the





1 Great Lakes system and operate between domestic
2 Canadian ports. Nothing to preclude them from
3 doing so.

4 Q. You seem to be envisaging two different
5 situations. First of all, if ocean type ships were
6 to operate in the way you have mentioned, do you think
7 those ships would be as efficient as the lake type
8 ships, also more specifically can they operate at as
9 low a cost as the lake type ships?

10 A. Are you talking in terms of a particular
11 type of cargo, the movement of a general cargo of
12 wheat?

13 Q. Let us consider for the moment bulk
14 cargo?

15 A. On certain types of bulk cargo they
16 can operate as efficiently and probably more
17 economically than Canadian ships.

18 Q. On what account? On account of the type
19 of ship or the lower cost?

20 A. The lower cost of the hull and the lower
21 cost of operation of the ship, on both counts.

22 Q. Some evidence has been put before the
23 Commission and I would like to have your observa-
24 tion on it. Is it not true that certain ships of
25 the McLagan type, for instance, being larger, being
26 flatter, can take a much larger cargo than ocean
27 type ships and, secondly, can operate at lower
28 cost, all other factors being equal?

29 A. Well, yes. I would say as far as
30 large bulk movements of grain are concerned, the



1 McLagan type ship has an economical advantage even if
2 it costs more to construct or to operate than a ship --
3 the kind of U.K. ship that might penetrate into the
4 Great Lakes for the grain movement.

5 Q. In that case, if the cost of seamen, the
6 pay to be given to the seamen, and the cost of operation
7 generally of the British flag ships were lower, that
8 would be a compensation for the less efficiency or
9 the lower efficiency of these ships. Is that true?

10 A. I would think so.

11 COMMISSIONER WICKWIRE: Q. Would the same apply
12 to a cargo of iron ore?

13 A. I would think so, Mr. Commissioner.

14 MR. GERIN-LAJOIE: Q. What type of bulk cargo
15 would you have in mind when you said that British
16 ships would probably operate at better advantage?

17 A. I would say generally package cargo.

18 THE CHAIRMAN: Q. Take, Mr. Mooney, the package
19 cargo or package freight situation. At the present
20 time entry into the Great Lakes is limited by a
21 fourteen foot channel, but there have been, I
22 believe, this year something over 300 non-Canadian
23 boats go up into the Great Lakes. None, I believe,
24 as far as the Head of the Lakes, but down to Chicago
25 and so on. Many of them, of course, are of foreign
26 registry. Two weeks or a week ago I watched, I would
27 say, not less than 30 out of the window of the ante-
28 room of my room. Many on the other hand are of
29 British registry. There is nothing in our law
30 to-day to prevent those small British registered



1 ships engaging in the package freight in the Great
2 Lakes. They have been doing so all along.

3 A. I would think to a very inconsiderable
4 extent, but I would think, Mr. Chairman, that to a
5 large extent at the present time that those are
6 exploratory and so far as the U.K. ships are con-
7 cerned with relation to the inland Great Lakes
8 shipping trade, there are established what you might
9 call company patterns, traffic patterns. Those do not
10 disappear over night. I would imagine that as the
11 U.K. flag ship and as trade develops inland, as it is
12 likely to do in terms of our expanding economy, there
13 will be an inducement and if there is no regulatory
14 measures to prevent it, and if there are profits to
15 be made, I would think it is quite logical to
16 anticipate that.

17 Q. I was attempting to apply that logic.
18 Surely I agree with you. These are exploratory
19 approaches in many cases. They are only getting their
20 names on the list in order to acquaint the companies
21 with their ships. They want to explore and there is
22 an opportunity of making some money on the side in
23 the Canadian package freight as well as the return
24 international voyage and I want to know whether you
25 can give me any idea as to whether they have been
26 doing it or whether in fact it is still being done
27 by the three Canadian companies?

28 A. My information, Mr. Chairman, is that
29 the great bulk of it is still being done by the
30 Canadian companies. There has not been any sub-



1 stantial increase of any inter-domestic movement of
2 goods on the part of U.K. vessels. Further inland
3 there is some. Part of that -- the reason would be
4 there is custom traffic development as to the shippers
5 and perhaps the non-availability of ships from time
6 to time when they desire to ship. These considerations
7 would determine the ships' volumes and ships' move-
8 ments; but the fact is that the facilities exist and
9 there is very often not a small volume and with much
10 promise in the future which would only seem to
11 suggest that increasingly U.K. flag ships will seek
12 to use these facilities for their coastal domestic
13 trade in inland Great Lakes system.

14 COMMISSIONER WICKWIRE: Q. Do you know whether
15 or not any of them have ever applied for a licence
16 to carry package freight?

17 A. No, I do not know.

18 MR. GERIN-LAJOIE: Q. Mr. Mooney, I believe
19 you mentioned the possibility that some specially
20 designed ships might come from Britain under the U.K.
21 flag and operate here and compete with Canadian flag
22 ships?

23 A. Yes.

24 Q. Those ships would stay in the St.
25 Lawrence and Great Lakes waters?

26 A. Yes.

27 Q. Would you envisage that such ships
28 might operate with British crews or U.K. crews
29 indefinitely at lower wages than the Canadian
30 standards?



1 A. Well, I can't imagine land locked British
2 ships when within the Great Lakes system would carry
3 on indefinitely or the crews would stay indefinitely
4 on U.K. wages. I cannot imagine that happening.

5 I would think so far as the wage factor is
6 concerned, there would be an equalization with
7 respect to the Canadian wages. The fact would still
8 remain that the cost of the boat, the capitl involve-
9 ment would be considerably lower than the Canadian
10 ship.

11 MR. GERIN-LAJOIE: Q. Regarding your
12 recommendations, Mr. Berthiaume mentioned very
13 plainly that you were not going into detailed
14 recommendations and that is obviously what appears
15 from your written brief. I wonder if you would care
16 to mention what type of regulatory measures you
17 would envisage to remedy the situation you envisage?

18 A. Well, Mr. Lajoie, I think as an observer
19 and as one who has looked at the matter pretty
20 intensely, I have tried to ask myself what is the
21 answer; what are the kinds of regulatory measures
22 that might conceivably be brought forward to produce
23 this measure of equal competition that we fear; at
24 least, unequal competition unless measures are
25 introduced and for what it is worth, it is a per-
26 sonal point of view; it is not the City's point of
27 view, the City has not discussed this at all --
28 but I envisage it as the practical way in which
29 it may conceivably be regulated would be to impose
30 a surcharge on all U.K. shipping, on all cargo



1 carried inter-domestically within the inland coastal
2 system. That surcharge would be exigible after the
3 ship had -- when the ship was leaving the inland
4 system at Montreal. You have a natural point of
5 administering it here. It is not a difficult thing
6 to police. An estimate of the cargo moved may be
7 easily determined from the ship's manifest and by
8 imposing such a surcharge, it would require U.K.
9 shipping to find reflection of the charge paid in the
10 rates they charge for cargo movement and would tend,
11 in my view, to make it reasonably possible for Canadian
12 shipping with its higher costs to meet the competitive
13 cargo rates which U.K. shipping would be charging
14 and therefore to bring about that measure of
15 equalization that we feel should be established.

16 Q. Would you impose such a surcharge for
17 ships doing international trade as well as coasting
18 trade? Would you make any distinction?

19 A. I would be disposed to not make a dis-
20 tinction on U.K. shipping doing international
21 shipping strictly between the United States and
22 Canada, between Canadian and American inland waters.

23 Q. First of all, you mentioned U.K. ships.
24 I gather that you mean any non-Canadian ships?

25 A. As far as international trade is con-
26 cerned, yes.

27 Q. French, German, all would come under
28 the same rules, would they not?

29 A. Where they engage in inland trade as
30 between the inland waters of the two countries.



1 Q. If a ship came from Europe, either the
2 U.K. or France or Italy, and were going, let us say,
3 up the St. Lawrence Seaway and the Great Lakes to
4 Port Arthur, just a plain international voyage and
5 back to the U.K. with grain, for instance, would you
6 impose a surcharge?

7 A. No.

8 Q. Well, where would you draw the line?

9 A. I would draw the line when that ship
10 picks up a cargo in Fort William, say, and trans-
11 ports the cargo say to Cleveland. It is on that
12 portion of its trip that I would ^{make} the charge exigible.

13 Q. So, if I understand you correctly, you
14 would make the charge only on the parts of the
15 voyage which would be considered the coasting trade
16 of Canada, and (b) trade between Canada and the
17 United States?

18 A. Yes, when engaged in that shipping as
19 far as the U.K. shipping is concerned, and by all
20 foreign shipping.

21 Q. Would that be easily handled in prac-
22 tice, if, let us say, a ship were only taking part
23 of a cargo on from one place to another, just to
24 complete her load?

25 A. Yes.

26 I think that can be revealed by
27 examination at the point of exit which is Montreal.

28 Q. And if a ship were to make a trip,
29 let us say, from Fort William to Cleveland,
30 without using the Seaway, would you still im-



pose a surcharge?

A. But it has used the Seaway. It has made entrance into the Seaway even though when that particular voyage has only been crossing the lake. But it couldn't have crossed the lake had it not gone through the canal and used the locks and navigation channel which is provided.

Q. From a political point of view at the international level, you wouldn't see any objection to such a scheme?

A. Not as between the United States and Canada.

Q. No, but as between Canada and other countries?

A. No, in general I don't think so because in fact there are restrictive measures on the part of most Maritime nations with respect to the coasting trade. I think if Canada decided to introduce a measure of regulation with respect to its inland waters, I can't imagine it would create an international incident.

Q. And you would prefer such a system to any subsidies, for instance?

A. Yes.

Q. Do you think that would be sufficient encouragement to Canadian shipbuilding?

A. Indirectly it should be.

THE CHAIRMAN: What would the surcharge be? How much in dollars and cents? What do you propose in that regard?



1 A. It would probably have to be graded,
2 Mr. Chairman, in relation to the type of cargo
3 carried. It would certainly be based on the volume
4 of the cargo carried. It would have nothing to do
5 with the actual tonnage of the boats as such. Those
6 figures are readily revealed by existing manifests
7 or could be revealed by specially-prepared manifests
8 which such shipping would have to use.

9 THE CHAIRMAN: Well, that is how it would be
10 calculated, but what I am concerned with is what
11 would the surcharge be aimed at?

12 A. Well ---

13 Q. Would it be aimed -- it would be aimed
14 at the capital cost difference in the first place?

15 A. Yes.

16 Q. And, secondly, the difference in the
17 cost of operation?

18 A. Yes.

19 Q. The reason I put that to you is for
20 this reason, won't it vary between each ship that
21 comes along? Now, here comes a ship in inter-
22 national trade between Canada and the United States
23 which, for instance, is carrying iron ore. It has
24 picked up ore at Sept Isles. It is built in Japan
25 at a fraction, at a mere fraction, of the Canadian
26 building costs. The next one that comes along in
27 the same trade is built in Great Britain at, for
28 argument's sake, let us say would be two-thirds of
29 the Canadian cost. Now, there would be a differ-
30 ence in the surcharge to be levelled there, would



1 there not? One of them has a U.K. crew and another
2 has a foreign crew at a fraction of the U.K. wages.
3 There is certainly going to be a difference there.
4 Then a third one comes along and it is a U.K. ship that
5 has an agreement with a Canadian Union and they are
6 paying Canadian wages, and you are going to have to
7 vary the surcharge there. I would suggest you would
8 have to have an economist, a Socrates, at each customs
9 port to do all the calculations that would be neces-
10 sary, and it would have the result -- very bad, I
11 think you will agree, for any commercial enterprise --
12 of uncertainty.

13 A. It would certainly have to be a weighted
14 surcharge. It would have to have some relationship
15 probably to the origin of the boat. It might be
16 difficult to arrive at a form that would include that.
17 But it would have to be adequate to bring about
18 equalization; that is for Canadian shipping to meet
19 the competition on a reasonable basis -- that is cost-
20 wise.

21 Q. I understand the philosophy behind your
22 suggestion. A restriction is, of course, a restraint
23 of trade, but it would arrive at the condition of
24 equalizing competitive conditions in the inland
25 trade?

26 A. I think it would sort of fall some
27 distance short of the imputation that it could be
28 regarded as discriminatory. It is a charge for a
29 facility which, after all, in the aggregate the
30 Canadian people have provided; that is, in the



1 provision of the system itself, and is over and above
2 the charges all shipping pay. Those, I think,
3 seeking to enjoy the facility might rightly, I think,
4 be expected to pay a surcharge.

5 COMMISSIONER WICKWIRE: Is it a surcharge for a
6 facility or is it a surcharge to equalize rates?

7 A. Well, it is both, sir. It is a surcharge
8 for the use of the facility and indirectly it would
9 have the effect of bringing about some measure of
10 equalization of rates.

11 MR. GERIN-LAJOIE: How would you make your
12 system work if you had a Canadian flag ship built in
13 the U.K. but operating under a Canadian flag?

14 A. This creates the same problem as the
15 Chairman indicated a moment ago. That is, how would
16 you bring in the factor of different construction
17 costs of the boats that are using the facility? I
18 would think that probably some weighted factor could
19 be introduced there. What the measurement would be
20 I am not at all this moment prepared to suggest but
21 I think some formula that could provide some measure
22 of weights against the original cost of the ship
23 might be brought in in determining the surcharge to
24 be imposed on the individual vessel. You might have
25 different categories of ships where a surcharge is
26 stepped up 5% or 10% or as the case may be.

27 MR. GERIN-LAJOIE: Q. May I ask what objec-
28 tion you would see to restricting the coasting
29 trade of Canada to Canadian-built and Canadian-
30 registered vessels? Why are you proposing a



1 different formula for arriving at more or less the
2 same purpose or conclusion?

3 A. This is a personal opinion. I am of the
4 view that, as far as it is possible, water shipping
5 should be freely available to all nations. I regard
6 in that system or in that view it being part of the
7 oceanways of the world.

8 MR. GERIN-LAJOIE: That is all, Mr. Chairman.

9 THE CHAIRMAN: Thank you very much.

10 MR. GERITY: May I ask a few questions, Mr.
11 Chairman?

12 THE CHAIRMAN: Yes.

13 MR. GERITY: Q. I take it from what you have
14 just said, the surcharge proposition is purely a
15 personal opinion?

16 A. Yes.

17 Q. Could you tell me, sir, if you have
18 always worked in the shipping business?

19 A. I am familiar more recently with
20 shipping.

21 Q. You have a background of ---

22 A. When I say that, sir, I don't regard
23 myself as an authority in the shipping business.

24 Q. But you are familiar personally with the
25 business?

26 A. In a general way.

27 Q. Could you tell me, sir, outside of
28 the British Manchester Liners what other English
29 company runs into the Great Lakes?

30 A. I do not know.



1 Q. You don't know of any?

2 A. No.

3 Q. Do you know how many vessels that company
4 has?

5 A. No.

6 Q. Do you know how far west they run?

7 A. No.

8 Q. So then, whether or not there has been
9 an application for a licence in the coasting trade
10 would depend, I suppose, on the number of vessels
11 actually running in here?

12 A. I would think so.

13 Q. Now, speaking of the factors of com-
14 petition, Mr. Mooney, let us consider these problems
15 and perhaps you will give me your opinion or that of
16 your group. If a U.K. or other Commonwealth vessel
17 is outward bound from Montreal and has space for
18 500 tons of cargo as far as Corner Brook, wouldn't he
19 be able to offer a much lower rate than any ^{other} company
20 in the business?

21 A. Yes, sir.

22 Q. Suppose he was inbound to the Great Lakes
23 with 500 tons of space available, wouldn't he be
24 able to offer a rate that no one could compete with
25 here?

26 A. Quite likely.

27 Q. Now, in the Great Lakes you mentioned
28 the competition from the lake type of vessel. Has
29 your group considered competition from a vessel
30 that might be used both in the Lakes and on the



1 outside? That is to say, a vessel that could carry
2 iron ore from Seven Islands to Lake Erie, grain from
3 the Lakehead to Montreal, and could work between
4 Venezuela and Philadelphia in the winter time?

5 A. Yes. I would think our thesis is that
6 that boat when it engages in the inland coasting
7 trade, if it be of a non-Canadian flag registry,
8 would fall within our definition of either a U.K.,
9 if that is the flag, or foreign registry subject to
10 whatever regulation it may be thought desirable to
11 impose on that type of ship.

12 Q. You think a vessel of the class I have
13 described would be in a most competitive position?

14 A. It would be in a very favourable position.

15 Q. Now, speaking of crews staying out here
16 on the Lakes or being paid the wages of one country
17 or another, are you familiar with the air charter
18 system of the Baltic Exchange in London?

19 A. I am not familiar with it.

20 Q. Thank you, sir.

21 THE CHAIRMAN: Thank you.

22 MR. MUNDELL: Would this be a convenient time
23 for recess, my lord?

24 THE CHAIRMAN: Yes.

25 ---A short recess.

26
27 MR. MUNDELL: Mr. Chairman, Major-General
28 Howard is appearing on behalf of the Canadian
29 Industrial Preparedness Association.
30



SUBMISSION OF CANADIAN INDUSTRIAL
PREPAREDNESS ASSOCIATION

---Represented by Major-General G.B. Howard, C.B.E.

THE CHAIRMAN: Yes, General Howard.

MAJ.-GEN. HOWARD: Mr. Chairman, I have nothing to address to the Commission other than the brief which has already been submitted. Perhaps I might emphasize that our Association is interested solely in the defence aspects of the matter before you. That is, that a shipbuilding -- ship repairing industry be maintained in Canada on a scale which would enable it to be expanded sufficiently in the event of war.

MR. MUNDELL: Q. That is, you are relying on the brief as filed and you really wish to just emphasize that as an outline of your position?

A. Yes.

Q. I wonder if you could, for the benefit of the Commission, give a short history of your Association and outline perhaps some of its objectives and activities?

A. Certainly. Our Association was formed in 1947 by a group of industrialists who had had experience during the war on the manufacture of munitions, shipbuilding and everything else connected with war production. The idea was that certain of the skills and certain of the facilities should not be lost in peace time that had existed during the war. Briefly, the main objectives of



1 the Association are to ensure that manufacturing
2 facilities on a proper scale be maintained in Canada
3 so that in the event of another war there would be at
4 least sufficient of a nucleus of what one might call
5 munitions production to enable expansion to proceed
6 at a rate that seems desirable at the time.

7 There are some 260 companies now, as of this
8 morning, members of our Association. They are
9 scattered from coast to coast and they embrace
10 practically every type of manufacturing from textiles
11 to shipbuilding and including electrical, electronics,
12 almost every type, with the possible exception of
13 foods.

14 Q. Would it be possible, General Howard,
15 to file a list of the members of your Association?

16 A. Yes. I have such a list here (produced).

17 Q. This is a list entitled "Canadian
18 Industrial Preparedness Association Membership List",
19 and it bears the date June 30th, 1955.

20 A. It is up to date. It is amended up to
21 date, as a matter of fact.

22 Q. Yes. I beg your pardon. It bears that
23 date, but it has been amended up to date. It should
24 be marked as an exhibit.

25 THE CHAIRMAN: Exhibit 78.

26 MR. MUNDELL: I will note on it "Amended to
27 to-day's date" in my own handwriting, or "Amended
28 to October 4, 1955".

29 A. I have here also, if it would be of
30 interest to the Commission, a copy of our printed



prospectus which gives our aims and objectives in detail, our fees and a list of directors.

MR. MUNDELL: Mr. Chairman, I think this should be marked as Exhibit 79. It is entitled, "Canadian Industrial Preparedness Association Officers and Directors, 1954-1955", and attached to it is a document entitled, "Canadian Industrial Preparedness Association Membership", and it goes on to say:

"Membership in the Canadian Industrial

"Preparedness Association means active

"participation in industrial preparedness

"for the common defence."

---EXHIBIT NO. 78: Canadian Industrial Preparedness Association Membership List.

---EXHIBIT NO. 79: Canadian Industrial Preparedness Association Officers and Directors.

MR. MUNDELL: Q. Could you summarize, more or less briefly, the objectives and the activities of your Association -- particularly the activities?

A. As to the activities, committees are organized in various lines of industrial endeavours to act as advisors to the Government and submit views on any particular situation which may arise such as aircraft, automotive equipment, ammunition, and many others up to the number of about twenty. We also effect liaison with the armed services by means of visits to service and arsenal establishments. We publish any information and opinions as a bulletin as circumstances may dictate. Each year, for example, we make a summary of the defence



estimates for the benefit of our members. In general, we emphasize the part that industry plays in the defence of the country in wartime and to the extent of preparation for war.

Q. Are you in any way officially sponsored by the defence department or the Government?

A. We are not. We are wholly supported by Canadian industry.

Q. And your contacts with the Defence Department are initiated by yourselves?

A. It may be either way. If they have a problem they often refer it to us, the same as the Department of Defence Production.

Q. In connection with shipbuilding and ship repairing, what actually has the Association done? I mean, you mentioned functioning through committees. What action has the Association taken?

A. They have made several recommendations regarding shipbuilding. I needn't go into the detail, I think. For example, they made a survey -- this is a few years ago -- of the number of slips in the country and how long it would take to build or get going on a certain number of vessels of a more or less common type.

Q. The Association did this?

A. The Association. That was done through the Association.

Q. When was that done?

A. Oh, I couldn't tell you the exact date. It would be two or three years ago, anyway.



1 Q. How was this done? Through a Committee?

2 A. Through the Committee. The Committee
3 in this case is a group of gentlemen in the ship-
4 building and ship repairers' Association.

5 Q. I wonder if you made a survey of that
6 kind if it might not be helpful to us?

7 A. I think it would be out of date by now,
8 that particular one, because I believe there have
9 been changes. We haven't been asked for the
10 information so we haven't brought it up to date.

11 Q. I would think a survey of that kind at
12 almost any moment of time, even though not up to date,
13 might be helpful. Could you describe more particularly
14 the kind of survey it was?

15 A. It was a very brief thing. It was the
16 number of slips available in the country in which
17 building could take place.

18 Q. By slips do you mean building berths?

19 A. Yes. There was some opinion, if I
20 remember rightly, given as to which could be used
21 and which could not, and why, and so forth. That
22 is also available. We haven't bothered with that
23 any further. The Ship Builders and Ship Repairers
24 Association, I understand, are much more expert in
25 that than we are.

26 Q. They would have a copy of that?

27 A. They would.

28 Q. You mentioned some estimates have been
29 made of the time necessary to get into production,
30 is that correct?



1 A. I believe that was included. As I say,
2 this is a few years ago and we haven't had any
3 occasion to use it since.

4 Q. You don't think it would be of any use
5 in support of your position?

6 A. I don't think it would be of any importance
7 at this stage, no.

8 Q. Have you given any study to the ship-
9 building and ship repairing aspect in recent years?

10 A. Not in detail.

11 Q. Has there been any Committee functioning?

12 A. They haven't functioned for some time.
13 However, I would like to point out our interest is
14 just that there be sufficient shipbuilding facilities
15 in Canada to serve as a nucleus in the event of war.
16 The details as to what that would be we are not
17 prepared to say.

18 Q. Or how to do it?

19 A. No.

20 COMMISSIONER WICKWIRE: Q. No suggestion as
21 to nucleus at all from your Association?

22 A. No, we don't feel we are competent to
23 say how many should form a nucleus. We are not, as
24 an Association, technical shipbuilders.

25 COMMISSIONER WICKWIRE: But you must have
26 made a study of this problem, General? Perhaps not?

27 A. No.

28 MR. MUNDELL: Q. There have been a number
29 of matters brought to the attention of the
30 Commission. For example, the question of whether



1 shipbuilding skills could be acquired or picked up
2 from other industries in time of emergency or whether
3 it is essential to maintain people actually in ship-
4 building to maintain those skills. That sort of
5 suggestion has been made before the Commission. Your
6 Association wouldn't be able to speak to any of
7 those questions, I take it from what you say?

8 A. No, other than the fact we might have a
9 general opinion on that, knowing some of the skills
10 involved in shipbuilding, for example welders. It is
11 very obvious that a welder can be picked up, he is a
12 welder (period). But there are others that are purely
13 shipwright jobs which I think would have to be
14 learned in the shipyard.

15 Q. Have you studied that?

16 A. We haven't studied that in detail or in
17 figures.

18 Q. That is an impression, really.

19 A. Pardon?

20 Q. That is really just an impression.

21 A. That's right.

22 Q. By the way, I should mention -- I don't
23 think we have mentioned it to-day -- that in asking
24 questions of persons putting forth representations
25 we always find ourselves in the position of having
26 to attack the proposition because that is the only
27 way we can bring out the details of any proposition.
28 It doesn't, of course, indicate any attitude on our
29 part at all.

30 A. Oh, yes, I understand.



1 Q. You were confining your representations,
2 you said, solely to the matter of defence?

3 A. That's right, sir.

4 Q. You haven't considered any other effects
5 on the aspect of the economy of shipbuilding?

6 A. No.

7 Q. There were one or two paragraphs in your
8 submission, which is B-52 -- you might put that in at
9 the beginning, Mr. Reporter, the reference to the
10 brief, B-52 -- on page 2, where you mention what
11 struck me as a general consideration, that inland
12 water-borne commerce depends on the bulk carriers on
13 the Great Lakes, the steel-making industry and that
14 sort of thing. That is a sort of general con-
15 sideration?

16 A. That is just one aspect of the matter.
17 We just brought that forward as an example.

18 THE CHAIRMAN: That paragraph would have
19 application to emergencies other than war emergencies
20 in my view, and perhaps for that reason you con-
21 sidered it as a general submission, Mr. Mundell.

22 MR. MUNDELL: I thought possibly the argument
23 being developed was the argument of the essential
24 link in our transportation system.

25 THE CHAIRMAN: Yes, exactly.

26 MR. MUNDELL: Q. But you don't purport to
27 deal with that?

28 A. No. That was an example of the
29 possibility of something going wrong in the event
30 of an emergency. Consideration should be given to



that subject.

1 Q. Yes. Now, then, a number of suggestions
2 have been put forward as to how assistance should be
3 furnished to the shipbuilding and the ship operating
4 industries in Canada; for example, restriction of the
5 coasting trade of Canada to Canadian-built and
6 registered vessels. Naturally such a suggestion
7 carries with it effects on other people, the grain
8 operators and the ore shippers and so on. You haven't
9 given any consideration to these problems?

10 A. No.

11 Q. Or to any ---

12 A. I don't feel competent to do so. I think
13 we have stated that in our brief.

14 Q. Would it be a fair summary of your
15 position then to say that you confine your represen-
16 tations to stating that in your opinion shipbuilding
17 and ship repairing is essential as an industry for
18 defence, but whether it is in trouble or how the
19 trouble is to be met or the extent to which it should
20 be met, you have no views on that?

21 A. No.

22 MR. MUNDELL: Thank you, that is all.

23 COMMISSIONER WICKWIRE: Q. General, you say
24 the materials in the construction of a ship amount
25 to about 70%?

26 A. That is material and auxiliaries. It
27 is not purely material.

28 Q. I thought labour represented somewhat
29 more than 30%?
30



1 A. Our information from the shipbuilders
2 was that it came close to 70%. I think it would be
3 safe to say that refers to naval ships.

4 COMMISSIONER WICKWIRE: You also say that it is
5 "fundamental that seaborne transport in the greatest
6 possible volume will be a vital factor in successful
7 defence "

8 A. Yes.

9 Q. Now, it has been suggested to us that it
10 won't be volume of shipping that might be necessary;
11 it will be a new type of ship, a very much faster
12 ship, and a ship that will be able to sail from a
13 Canadian port, we will say, to a European port and
14 be fast enough to be able to dodge any submarines?

15 A. Perhaps we should say there "sea-carrying
16 load capacity".

17 Q. That is what you mean?

18 A. Yes.

19 Q. Thank you.

20 ARTHUR SIMARD (Marine Industries Limited; Brand
21 Line Limited, Sorel): Q. You mentioned about the
22 welders, General. Did I hear you say that welders
23 could be taken from other industries and put in the
24 shipyards?

25 A. That is somewhat the idea.

26 Q. I am sorry to contradict you on that,
27 because it is necessary for me to say that right
28 now, with the naval specification, all welders in
29 shipyards have to go through three to six months
30 of training and have to be classified as shipyard



1 welders. That is especially so since all the welding
2 has to be x-rayed now. We find that welding is a
3 very highly specialized trade in the shipyard,
4 particularly so when compared to, say, welders who
5 have welded on pressure vessels. Also, you have
6 ordinary garage welders who have worked just on
7 fenders.

8 A. Oh, I don't think of those. I think of
9 those who pass the tests of the Welders Board of
10 Standards.

11 ---The witness retires.

12
13 THE CHAIRMAN: The Canadian Maritime Transport
14 Workers' Association?

15 MR. MUNDELL: We haven't had any word from
16 them. We are trying to get in touch with them.

17 THE CHAIRMAN: Consolidated Paper Corporation
18 Limited? Anticosti Shipping Company?

19 MR. MUNDELL: The representatives of the
20 Consolidated Paper Corporation are here, Mr. Chair-
21 man.

22 THE CHAIRMAN: Very well. When counsel or
23 representatives do not appear on the date set out
24 on this list, it is the intention of the Commission
25 to presume that they do not wish to add to their
26 brief already filed. We have allowed two full
27 weeks for hearings in Montreal. There are many
28 important briefs which will take a very considerable
29 time to analyze and discuss in our hearing and
30 we cannot have persons whose names appear for some



earlier day coming in later and disrupting the consideration of those later briefs.

SUBMISSION OF CONSOLIDATED PAPER CORPORATION

---Represented by Mr. J. Henri Plouffe, Traffic Manager.

MR. PLOUFFE: Mr. Chairman, I want to make it clear that I am not talking for Anticosti Shipping Company. I am just giving the views of the Consolidated Paper Corporation Limited.

I will read the brief which was sent to Ottawa:

"In accordance with your request for the
"views of shippers on the subjects assigned
"to your Commission, the following expresses
"this Company's attitude about these problems.
"Inasmuch as

"(1) we are principally engaged in the
"newsprint business which for the most
"part is traded without any duty restrictions
"all over the world;

"(2) the principal restriction to free
"trade overseas in Canadian newsprint
"is lack of dollars;

"(3) foreign competitors have no
"restrictions in regard to the nationality
"of the ships employed in shipping
"their newsprint;

"Therefore the Management of this



1 "Corporation firmly believes that Coastal
2 "Trading on the two coasts and on the St.
3 "Lawrence River and the Great Lakes should be
4 "free from any and all restrictions purporting
5 "to eliminate or hamper competition between
6 "any and all water carriers, regardless of
7 "their registry.

8 "We believe that any country to which
9 "we sell newsprint should not be denied the
10 "right to earn Canadian dollars in shipping in
11 "order to assist them in maintaining their
12 "trade with Canada.

13 "Further, it is felt any restrictive
14 "measures discriminating against the greater
15 "majority of foreign flag vessels tend to
16 "create a monopoly amongst the Canadian and
17 "British steamship companies and is deemed
18 "detrimental to the nation as a whole and
19 "to this industry in particular.

20 "Should your Commission find that
21 "Canadian ships need assistance, we respect-
22 "fully suggest that this assistance be given
23 "in such a manner as not to handicap Canadian
24 "exporters."

25 That is the brief, Mr. Chairman, that was sent
26 to Ottawa.

27 THE CHAIRMAN: Yes. Have you anything to
28 add?

29 MR. PLOUFFE: I think I have said almost
30 everything. What I would say would only be repeat-



ing what has been said there.

1 MR. MUNDELL: Q. May I ask a few questions
2 for the assistance of the Commission to obtain some
3 information, if you are able to give it to us?

4 A. Yes.

5 Q. In the first place, for the record, is
6 your company a Canadian company?

7 A. Yes, sir.

8 Q. Federally incorporated?

9 A. Yes, sir, federal.

10 Q. A Dominion company. Is it Canadian-
11 owned?

12 A. Yes, sir.

13 Q. In whole or majority?

14 A. Well, the majority. I would say a very
15 small minority might be outside of the country.

16 Q. Your shares are traded on the market,
17 are they?

18 A. Yes.

19 Q. So you wouldn't have any control?

20 A. That's right.

21 Q. What are the exact operations of your
22 company?

23 A. Producing papers.

24 Q. Where are your mills?

25 A. We have five paper mills. One is
26 located at Grande Mere, another at Shawinigan Falls.
27 Another is at Trois Rivières. Or you may call it
28 Three Rivers, whatever you like.
29

30 Q. I believe Trois Rivières is correct



because it has never been translated.

1 A. Trois Rivieres is the proper name,
2 legally speaking. Another at Cap de Madeline. And
3 another at Port Alfred in the Lake St. John District.
4

5 Q. Could you give the operations of each of
6 these mills or are they all engaged in the same
7 operation?

8 A. They are all engaged in the same operation.
9 Do you mean you want to know what we produce at each
10 mill?

11 Q. Yes.

12 A. Grande Mere produces now newsprint paper,
13 about 500 tons a day. Mind you, I am not prepared to
14 give you exact figures because I will have to go by
15 approximate figures. If I had known that I would have
16 needed it I would have brought some figures. I would
17 say about 500 tons a day of newsprint. We produce
18 board. It runs around 200 tons a day. Also wood
19 pulp. The wood pulp, of course, I cannot give you any
20 figures because it is erratic. It all depends on
21 what is left over, you might say, what we don't use
22 for our own making.

23 Q. Before you go on to the next one, would
24 it be easier to give, when you are going through
25 each mill, what happens to its products, whether
26 you sell them locally or export them or whatever
27 the case might be? Could you deal with each one
28 separately?

29 A. I could cover the situation by saying
30 that all are in about the same position.



1 Q. If you deal with what each mill does,
2 perhaps that would help.

3 A. You have the story. That's right. They
4 are all involved in Canadian and export traffic.
5 Shawinigan Falls is entirely newsprint. About 800
6 tons a day.

7 Q. Yes?

8 A. At Trois Rivieres we have our mill which
9 is the largest kraft paper manufacturing mill in the
10 world, we claim. We produce about 500 tons a day
11 of kraft. We produce about 200 tons a day of news-
12 print. We produce kraft wrapping paper and various
13 by-products of kraft paper. At Cap de Madeline we
14 produce newsprint, approximately 300 tons a day. At
15 Port Alfred we produce newsprint, about 600 tons a
16 day, also wood pulp board about 100 tons a day, and
17 wood pulp. This figure again might change. It
18 varies depending on conditions.

19 Now, to tell you what happens to all these
20 products, about 85% -- no, 75% -- of newsprint goes
21 to the United States. I would say -- we supply
22 Montreal, the local paper -- I would say about 15%
23 to Canada and the balance overseas. Of course, mind
24 you, those percentages may vary depending on world
25 conditions.

26 Q. How would that be?

27 A. Well, it would vary this way, if we
28 do not have a good world market -- I am talking of
29 the overseas market -- if we cannot export because
30 we cannot meet the competition, and the worst



1 competition is Scandinavian mills, Norway, Sweden and
2 Finland -- for instance, now we have to compete
3 against those Scandinavian mills, so Africa,
4 Australia, New Zealand and India, all over the world,
5 and so we have to look to other markets.

6 Q. So it is the overseas market that is the
7 more valuable one?

8 A. That is the reason why we have mentioned
9 in our brief that we don't want restrictions because
10 we want free trade. The reason is that if those
11 foreign flag vessels, whether they be German, Swedish,
12 Norwegian, and so forth, if they can earn some dollars,
13 that will give those countries some dollars to buy
14 newsprint because we sell on the dollar basis.

15 THE CHAIRMAN: Do you sell much newsprint to
16 Sweden?

17 A. No, we don't sell to Sweden. What I say
18 is this, that we can compete against them. Those
19 people there, I am talking of the nation as a whole,
20 they would have dollars to buy from us. It would
21 eventually reflect on our business.

22 MR. MUNDELL: Q. I was going to come to that.
23 I was just really trying to get at the moment a
24 picture of your operation but what you are talking
25 about now is international trade. We are only con-
26 cerned at the moment with the coasting shipping.
27 If we could follow this order, with your permission,
28 Mr. Chairman?

29 THE CHAIRMAN: Yes.

30 MR. MUNDELL: Q. You have described the



1 operation of your mills, what they produce, and where
2 the production goes. Now, in the operation of your
3 mills do you do your own logging or how do you handle
4 that?

5 A. Logging, yes.

6 Q. Where do you do your logging?

7 A. We do the logging in the Upper St. Maurice
8 River. In the winter time, that is. The logs float
9 down the river in the summer time. We also move
10 logs from Anticosti Island. I would rather not touch
11 on the Anticosti end of it because Mr. Savage will
12 take care of that.

13 Q. Do you buy your logs from him at the
14 mill?

15 A. Yes. I don't think we should have any-
16 thing on the record as far as Anticosti because that
17 is his baby.

18 Q. Will you be here at the same time as
19 he is?

20 A. Oh, yes, I will be here this afternoon.

21 MR. WICKWIRE: Whose baby is Anticosti?

22 A. The Anticosti baby is Mr. Savage's.

23 Q. The Shipping Company?

24 A. Yes. I don't want to interfere with
25 that.

26 MR. MUNDELL: Q. I can ask you this. Do you
27 buy your logs at the mill from Anticosti, or does
28 Anticosti simply furnish you with the service?

29 A. I can't answer that question. Anti-
30 costi Shipping will have to answer that.



1 Q. All right. Apart from the logs which are
2 brought by Anticosti, do you get logs from other
3 sources?

4 A. No. Of course, I told you the other
5 sources. We get logs from the Upper St. Maurice
6 River. They are floated down the river. The Anti-
7 costi logs, that is another operation.

8 Q. These other logs that you don't get from
9 Anticosti, none of those are brought by ship?

10 A. From Anticosti they have to come by ship.

11 Q. I beg your pardon. I haven't made myself
12 clear. The logs you get from the other places than
13 Anticosti, do they come to you by ship?

14 A. No, they come by rail or float down the
15 river.

16 THE CHAIRMAN: Logs? Pulpwood?

17 A. Yes, pulpwood.

18 MR. MUNDELL: Q. The total connection of your
19 company's operations with coasting shipping is the
20 operation carried on by the Anticosti Shipping
21 Company?

22 A. As far as the Anticosti Island is con-
23 cerned, yes.

24 Q. I mean, you don't get your materials
25 by coasting shipping from any other source?

26 A. You mean outside of Anticosti?

27 Q. Yes.

28 A. No. This question should be reserved
29 for Mr. Savage.

30 Q. Well, I am not quite sure about this.



1 What I am asking you is, you have said that you do not
2 get pulpwood by ship?

3 A. Yes.

4 Q. From any place other than Anticosti?

5 A. Yes.

6 Q. Then what I am putting to you in another
7 way is that your only interest in coasting shipping
8 as far as obtaining pulpwood is concerned is the
9 Anticosti connection?

10 A. Mr. Mundell, I want to make this clear,
11 I am talking or speaking for the Consolidated Paper
12 Corporation and also the Consolidated Paper Sales.
13 The woods operation there is something for Savage
14 because he belongs to the Woods Department.

15 Q. He is also ---

16 A. He is in that department, yes, so he is
17 a more capable man to handle that feature, so I had
18 better not touch on something which does not concern
19 me directly.

20 Q. Can he speak on behalf of Consolidated
21 Papers as far as the woods operation?

22 A. Well, I think in the brief he has filed
23 with you, he says that Anticosti Shipping is under
24 the management of Consolidated Paper Corporation.
25 Hasn't he said that?

26 Q. Well, could you tell us whether you or
27 Mr. Savage could deal with this matter? This is
28 the problem. We are only concerned at this moment
29 with coasting shipping. We are not concerned
30 at the moment with international shipping. You



1 have said that any restriction on the coasting shipping
2 will affect you because of the cost. Now, what I
3 would like to get at and what I would like to
4 obtain for the Commission is how much does the
5 coasting shipping operation that you are connected
6 with, how much does that affect your cost?

7 A. I will answer the question this way. We
8 are vitally interested in using ships to move news-
9 print paper.

10 Q. That is international?

11 A. To the Great Lakes.

12 Q. Oh, yes. I beg your pardon.

13 A. I am going to touch the point you want
14 to talk about -- to the Great Lakes. I figure this
15 way ---

16 THE CHAIRMAN: What part of the Great Lakes?

17 A. Right up to Chicago, sir.

18 Q. That is again international. I asked
19 you that because you have some of your sales in
20 Toronto?

21 A. We are interested in Toronto as well.

22 Q. Well then, you have 15% of your sales
23 in Canada. Now, is any of that 15% carried in
24 coasting shipping?

25 A. At the present time, no.

26 MR. MUNDELL: Q. Your interest is potential?

27 A. That's right.

28 Q. Yes. Would you go on, please?

29 A. So if we have monopoly, if we have
30 restrictions, we feel it would tend to create a



1 monopoly. The rates would stiffen because there
2 would only be Canadian ships operating on the Great
3 Lakes and on the Seaway.

4 THE CHAIRMAN: At the present time, whether
5 there is a monopoly or not, you don't use them?

6 A. Well, there are certain reasons why we
7 do not use them. At the present time we don't, but
8 it is for reasons that I cannot enumerate right now.
9 But in the future nobody knows what we might do.
10 The potentialities are always there. This Seaway --
11 we are not looking at it as of the present time, we
12 are looking to the future. It is what is going to
13 happen to us from ten years from to-day what is most
14 important to us, not what is happening to-day.

15 MR. MUNDELL: Q. All I was trying to do in
16 my approach at the present time was to find out how
17 significant coasting shipping is in your present
18 business. If I can just finish this, I want to find
19 out what it is in your present business on the cost
20 side and on the sales side, because those are the
21 two ways it would affect your costs. Your other
22 argument is the dollar argument, but as far as your
23 existing operations go, is it correct to say that
24 coasting shipping charges, apart from the Anticosti
25 operation, don't enter into either your cost side
26 or sales side? You're interested in the potential,
27 is that correct?

28 A. Yes.

29 Q. Taking the interest in it as a poten-
30 tial one, do you feel there would be higher rates



1 if the present restrictions continued than if they
2 were removed entirely?

3 A. Well, you have at the present time
4 Canadian and British ships so the British ships have
5 the effect of preventing a certain monopoly in so far
6 as the Canadian ships are concerned. But we advocate
7 entirely free trade because we believe we could do
8 even better. We believe if all foreign flag ships,
9 regardless of their nationality, as long as we are
10 going to have a Seaway which is going to accommodate
11 larger ships, larger cargoes, we believe that it
12 would be very much to the advantage of the shippers,
13 the exporters, that is the shippers and manufacturers,
14 to have free trade. I could charter a Norwegian
15 ship to-morrow to take a load from Trois Rivieres to
16 Toronto or any place like that. I think I could
17 perhaps do much better than I can to-day when I am
18 confronted with only Canadian flag and British flag
19 ships.

20 Q. Have you considered this possibility,
21 that that would also include the possibility of
22 chartering U.S. vessels, the cost and operation of
23 which is subsidized by the U.S. Government?

24 THE CHAIRMAN: That is being done by your
25 company to-day.

26 MR. MUNDELL: Q. On the international side.

27 THE CHAIRMAN: Yes.

28 THE WITNESS: I didn't quite get the question,
29 Mr. Chairman. What is being done?

30 MR. MUNDELL: Q. Let me put it this way,



1 if you take off all restrictions that would mean that
2 U.S. vessels could engage in this trade, too, in the
3 Canadian coasting trade, and to the United States
4 that would be foreign trade. The U.S. Government
5 subsidizes the construction of vessels for foreign
6 trade and subsidizes their operation. That would
7 mean that the Canadian shipping industry would be
8 competing, not only with all the Commonwealth
9 shipping and all foreign shipping, but also competing
10 with subsidized U.S. shipping. Have you thought of
11 those possibilities?

12 A. We have thought of this. In the last
13 paragraph we have said that if the Canadian ships
14 need some assistance from the Government we believe --
15 of course, we don't use the word "subsidy" but in
16 between the lines that is what it means. I think it
17 would be better for the Government to subsidize or
18 give Canadian shipping the assistance required to
19 compete against the foreign flag vessels.

20 Q. Do you think we should throw the coasting
21 trade of Canada open to the U.S. subsidized ships?

22 A. This is going a little too far, because
23 this is a little political. I don't know what the
24 decision will be regarding the Seaway or what agree-
25 ment will be made between the two countries. It is
26 a political question I do not feel capable of
27 answering.

28 THE CHAIRMAN: We are not talking politics
29 at all. I, for one, have no interest in politics
30 and can have none.



THE WITNESS: Neither have I.

Q. Well, I am prohibited by Statute from having such an interest. We are just talking business sense and we are asking you quite seriously if you believe that in order to get the competition and the low prices that you desire for shipping you should have subsidized U.S. shipping come in here and compete with Canadian shipping.

A. I really don't have any objection. I mean to say -- after all, we made the statement there, when we said foreign flag vessels, of course that includes U.S. flags the same way. If I am permitted, if I am allowed to do so, and if I can get a U.S. flag ship to come to carry a load to Chicago from any one of our mills, I will do so.

Q. In fact, in the last week you have done so, haven't you?

A. I didn't quite understand that?

Q. In the last week you have done so, have you not?

A. No, not U.S.

Q. Perhaps I have been too short in the period mentioned. In the last couple of weeks?

A. We never did, sir, because we are not allowed to do so at the present time.

Q. To Chicago? Why not?

A. They cannot come and load at the Canadian port, that is where the snag is.

Q. Are you saying that ---

A. We cannot load a U.S. flag ship at



1 a Canadian port. That is against the law.

2 Q. I don't know that law.

3 A. We have never been able to do so, so far.
4 Maybe I have put my foot into something I shouldn't
5 have.

6 MR. MUNDELL: Q. There is no restriction on
7 you loading an American ship, a U.S. ship, at a
8 Canadian port to go to a port outside of Canada.

9 A. Maybe so. Maybe I made a statement I
10 shouldn't have. Maybe I have been erroneous. I will
11 take it all back. Anyway, we have never done so in
12 the past.

13 Q. I think I understood you to say that you
14 were prepared to accept an American ship even though
15 subsidized? That is American shipping, even though
16 it is subsidized, in the Canadian coasting trade?

17 A. Well, of course, yes, I don't see any
18 objection to anything like that. I mean, after all,
19 we are looking at it from the cost-wise angle. That
20 is, as far as we are concerned, we don't care if a
21 ship is subsidized at all.

22 Q. Suppose that resulted in Canadian
23 shipping disappearing altogether, would you view
24 that with any alarm?

25 A. It is almost the fact right now.

26 Q. I am talking now about the Lake shipping.

27 A. Well, we would have some other ships.

28 Q. As far as you are concerned, even
29 though the U.S. competition is subsidized, if it
30 forced the Canadian shipping to the wall, then let



1 it go? Is that your attitude?

2 A. It is up to the Government to look after
3 that.

4 Q. Well, one of the proposals we are
5 looking into is to restrict the coasting trade to
6 certain vessels. Now, why not do that?

7 A. If you do it, this is going to be a
8 restraint of trade in our view of things.

9 Q. Well, a subsidy is another approach,
10 isn't it? It is another way of restraining trade by
11 buying off the competition?

12 A. Well, no. Of course, I am not going to
13 give you what I think as far as the taxpayers are
14 concerned. I am talking here on behalf of Con-
15 solidated Paper Corporation, not on behalf of myself.
16 I am saying it would be a restraint of trade if you
17 placed restrictions on it. Of course, a subsidy is
18 a solution the same as other countries are doing.

19 Q. You feel all restrictions should be taken
20 off? You wouldn't be satisfied with the present
21 position?

22 A. Well, the present restrictions are a
23 compromise. We advocate here in the brief, and I
24 have to stick to the brief of my president, that we
25 do not want any restriction on any flag whatsoever.

26 THE CHAIRMAN: I would have appreciated
27 having your president put this position before the
28 Commission. Your industry is one which I believe
29 uses a considerable amount of national resources.
30 But you believe in the use of them you should have



1 the right to turn to any kind of competition from any
2 foreign body at all, and that if it is necessary to
3 preserve Canadian shipping it should be done again at
4 the cost of the Canadian people by subsidy? Well, it
5 is a forthright view at any rate.

6 MR. WICKWIRE: Q. How would you like
7 the same Scandinavian ships to be taking your pulp-
8 wood, not your newsprint?

9 A. Taking my pulpwood?

10 Q. To have the Scandinavians come in to cut
11 over your limits?

12 A. Well, the pulpwood is another feature. I
13 want to talk about finished products, what we sell.
14 Mr. Savage is going into that other aspect of the
15 matter.

16 THE CHAIRMAN: It is what he wants to talk
17 about that you will have to be governed by. So would
18 you answer that question?

19 A. Well, I don't think it would be possible
20 for the Scandinavians to get pulpwood in the first
21 place.

22 MR. MUNDELL: Q. Why isn't it? Isn't that a
23 protection to you?

24 A. Well, yes, it is a protection.

25 Q. Suppose they came in and underbid for a
26 licence. That is supposing they were subsidized
27 by the Swedish Government.

28 A. Well, pulpwood is going across the
29 border, but that again is another question which
30 is beyond me so I cannot say.



1 Q. You base the greater part of your case
2 for the removal of restrictions on the dollar argument,
3 is that correct?

4 A. Yes.

5 Q. Do you know how much British coasting
6 trade, how much British vessels in the coasting trade
7 earn in dollars in Canada in a year, whether it is a
8 large amount?

9 A. Well, it would be a large amount because
10 you take all the British ships operating in the
11 Newfoundland trade, they must be earning a lot of
12 dollars.

13 Q. Do you know?

14 A. No, I don't know, because I am not
15 operating there.

16 Q. If I said it was a small amount, you
17 couldn't disagree with me because you don't know?

18 A. No.

19 Q. So it may not be of any significance?

20 A. I know vaguely but I couldn't give you
21 any figures on it.

22 Q. You mean you have an impression?

23 A. Yes, I have an impression.

24 COMMISSIONER BELANGER: Q. If I understand
25 you correctly, in your brief not only the U.K. needs
26 dollars, but other countries, and that is why you
27 want them to participate in the Canadian coasting
28 trade?

29 A. Yes, that is the view.

30 Q. No matter what amount is involved, you



want to have the same privilege and the same right as everybody else, because you feel not only the U.K. is in need of dollars but other countries as well?

A. Absolutely.

Q. Is that correct?

A. Absolutely.

MR. MUNDELL: Q. You may know about this. If any one of the countries in the sterling area get dollars, that is available to the sterling area. I think that is the argument?

A. Yes.

Q. You have mentioned that any restriction would create a monopoly. Have you any evidence or experience that would indicate there is any monopoly in Canadian shipping?

A. No, I cannot say experience, but we have only a vision of the future.

Q. You are fearful?

A. That's right, we are fearful of that.

Q. But there may be other methods of meeting that by regulation or under the Combines Act?

A. Perhaps.

Q. So that is only a fear you have?

A. That is a fear. It is a vision of the future.

Q. Now, you will be here this afternoon when Mr. Savage is presenting his evidence?

A. Yes.

Q. Because there will be some questions where we are going to ask for information which



may require your attendance.

1 I think we will really have to terminate the
2 examination here, subject to the right to speak this
3 afternoon when Anticosti is here.

4 THE CHAIRMAN: Perhaps other counsel may wish
5 to ask some questions.

6 MR. GERITY: Q. Would you know, Mr. Plouffe,
7 whether the U.K. earned more money in premium incomes
8 on the Great Lakes fleet than it does in the coasting
9 shipping operation?

10 A. No, I am not in a position to answer that
11 question.

12 Q. Mr. Savage of the Anticosti Shipping
13 Company, does he actually run those ships?

14 A. Yes, chartered ships.

15 Q. Are they not managed by another company?

16 A. No, they are managed by the Anticosti.

17 Q. Do Hall Brothers have any connection?

18 A. No, he charters ships from Hall's.

19 There again you are asking me a question I don't
20 know the answer to. I don't know whether it is a
21 time charter or a cargo charter. Savage is the man
22 to answer that question. If it is a time charter boat
23 then he operates the ship. If it is a cargo
24 chartered ship, then Hall operates the ship and
25 he pays so much a haul. I can't answer that because
26 he has the figures.

27 Q. He knows all about it?

28 A. That's right, that is his department.

29 MR. ARTHUR SIMARD (Marine Industries Limited;
30



Brand Line Limited, Sorel): Q. Mr. Plouffe, you mentioned that your pulp comes all from the St. Maurice River and from Anticosti Island. Those are your only two sources of supply of pulpwood for your mills?

A. No, we also get some from the Abitibi District all the way from Amos.

Q. Did you not transport pulpwood from the Montreal area in the past?

A. From Montreal?

Q. Yes?

A. No.

Q. Didn't you have a tug called the Consul I and the Consul II with a fleet of barges?

A. Wait a minute. In the past I think we had some around St. Sulpice. And -- what's that name?

Q. Repentigny?

A. Yes.

Q. So your pulpwood doesn't all come from the St. Maurice River? You have also been in the coasting trade yourself?

A. Yes, but the question asked me was at the moment.

Q. I wanted to go back.

A. You are right if you go back.

Q. Isn't it possible that in the future Consolidated Paper might have to haul some of their pulpwood with their own means of transportation or through the coasting trade?



1 A. That's a question for Mr. Savage to
2 answer.

3 Q. That goes on Mr. Savage even though it is
4 Consolidated Paper?

5 A. Yes, because he is in the Woodlands
6 Department. That is his department.

7 Q. What kind of transportation do you use
8 for your products? Water and rail, I presume?

9 A. We use rail transportation, we use water
10 transportation, we use truck.

11 Q. Would you know the proportion, the per-
12 centage of water transportation as compared to other
13 transportations in your different products?

14 A. When you say water transportation, you
15 mean where? You are not talking about overseas export;
16 you are talking just the Seaway, up the Great Lakes?

17 Q. No. With the Consolidated Paper
18 products, you must have a certain percentage that goes
19 by rail and a certain percentage that goes by water.
20 Could you supply the Commission with that information?

21 A. I didn't understand that I was going to
22 be asked all these questions. I should have brought
23 my laboratory with me.

24 Q. Would you mind giving the Commission
25 the percentage of water transportation as compared
26 to rail transportation, both on coasting and inter-
27 national, of your products? You have newsprint,
28 you have wood.

29 A. In other words, you want to know the
30 tonnage that has moved by water overseas, the



1 tonnage also that has moved by water over the Great
2 Lakes?

3 Q. Yes, but over the Great Lakes you have
4 to make a distinction again. If it goes to Chicago,
5 I think that is a point that is not quite clear.
6 When it goes to any marine port on the Great Lakes,
7 that is international trade, when it goes to an
8 American port.

9 A. Overseas to the U.K. or going to South
10 Africa ---

11 Q. Well, now, that is international trade.

12 A. Well, you don't want that.

13 Q. We want to know how you transport your
14 product.

15 A. I see. You want them separated ---

16 Q. Well, it is not me.

17 A. No, not you, but you want the percentage
18 of water shipments to overseas as well as the Great
19 Lakes and Canada, whatever that is, and then you
20 want to know the tonnage by rail.

21 Q. If I may put myself clear, I do not
22 want you to think that I am trying to embarrass you.
23 Another company in your same business as you has
24 given to the Commission the figure of their produc-
25 tion and the percentage that was going by rail
26 as compared to what was going by water -- Inter-
27 national Paper, I think, was the company -- that
28 is what they did, saying that so many tons goes
29 by water.

30 A. It is not difficult to give you; it



would be easy.

1 Q. Well, you see the importance of those
2 documents.

3 A. Oh, yes, I will give you those figures.

4 Q. Because the City of Three Rivers has
5 made a presentation during the Commission that they
6 want to impress very much, the expansion of the harbour
7 of Three Rivers.

8 A. I could give you the tonnage of our
9 shiploading on boats at Three Rivers. Do you want it
10 for last year?

11 Q. Well, it is the law of averages, I pre-
12 sume.

13 A. Last year's figures ---

14 Q. It is not important.

15 A. Well, whatever it is.

16 MR. MUNDELL: Q. Would last year be a rep-
17 resentative year, typical?

18 A. Yes, I think 1954 would be representa-
19 tive, because we have been running about the same,
20 roughly, I would say, for the last three or four
21 years.

22 MR. SIMARD: Q. Well, your figures might be
23 different on account of the different tonnages that
24 occurred ----

25 A. Yes, there would be some difference;
26 not very much.

27 PROFESSOR G.E. JACKSON: Mr. Chairman, I
28 represent the Shipbuilders Association and I would
29 like, if I may, to ask the witness two questions,
30



one relating to Mr. Hobart's letter, which is his brief, and one relating to his testimony.

MR. MUNDELL: The letter is B-37.

PROFESSOR JACKSON: Q. The argument of Consolidated Paper is basically that no restriction should be put on Canadian trade which would have the effect of reducing the dollars which Canadian customers abroad could earn and which they might spend on Canadian newsprint.

A. I think not newsprint. We mean Canadian products. I think the brief does not mention so much newsprint, but it mentions Canadian products. In other words, it would be beneficial to the country as a whole.

Q. I would not like to beg the question by saying that this will benefit the country as a whole, but I would agree it is an excuse that Canadian customers abroad should be permitted to earn Canadian dollars so that they could buy Canadian exports. That is what Mr. Hobart's letter says. Would that argument apply any more differently if one were to plead before some other tribunal that by abolishing the operation of cotton manufacture in Canada one would expect the Lancastershire cotton district to earn more Canadian dollars, even if one put another company in Three Rivers out of business to do so? Is the argument not in strict parallel, where one takes, for example, a Canadian who has been brash enough to build a cotton mill in Three Rivers?

A. That is a very difficult question for me to answer. I am afraid I will have to refrain



1 from it, because I don't think I could answer that
2 question, for the record.

3 Q. Well, Mr. Chairman, I will not press it.

4 Now, sir, with regard to the position of the
5 newsprint industry and the world market for newsprint,
6 we all know that the acoustics of this hall are very
7 bad and I know that I missed some of your evidence,
8 although I listened as hard as I could. You stated,
9 in some general terms, the proportion of the world's
10 newsprint production which comes from Sweden and
11 Finland and not with a precise figure.

12 A. I don't have the figures.

13 Q. Your company is a member of the Canadian
14 Pulp & Paper Association and it is a member of the
15 Newsprint Association of Canada, and it would have
16 been very simple for you to bring the documents down
17 as an exhibit so we might have precise figures before
18 the Commission.

19 A. Well, sir -- what is the name?

20 Q. Jackson.

21 A. Mr. Chairman, if my understanding is
22 correct, the president of the Pulp & Paper Association
23 will be here next week. I think the date is the
24 14th or 15th or something, but he is the man who
25 is going to have all the figures.

26 Q. But not as a witness in support of this
27 brief.

28 A. Well, now, the question you are asking
29 me, Mr. Jackson, does not relate precisely to my
30 corporation, because it relates to the whole



1 industry. Now, we are going to have Mr. Follett, the
2 president of the Paper Association, and that man is
3 going to be more capable than I am to answer that
4 question, because he will have all the data, the
5 figures and information and everything.

6 Q. I might agree, but, Mr. Chairman, the
7 witness has gone far enough to suggest that unless
8 what these documents will show, the expansion of
9 Finnish and Swedish newsprint in his industry will
10 tend to push the Canadian newsprint manufacturer out
11 of business. That is the tenor of the evidence which
12 has been given this morning before this Commission.

13 A. I don't think we went that far. I don't
14 think we will be forced to shut down the plants,
15 because we have looked at the future and through our
16 crystal ball we have gone as far as 25 years ahead of
17 time, but I don't think we have any idea in the fore-
18 seeable future that we will be obliged to shut down,
19 but it has aggravated the marketing conditions and
20 so forth, yes, it would, and we firmly feel and we
21 believe that this will be so.

22 Q. My phrase was that the competition of
23 Sweden and Finland would tend to push the Canadian
24 manufacturer out of the market. If the Commission
25 goes back on the record, I think the language I
26 have used is very precise, language which Mr.
27 Plouffe himself employed.

28 A. I disagree. I don't agree.

29 COMMISSIONER WICKWIRE: I did not get that
30



1 understanding, Dr. Jackson, that the newsprint mills
2 would go out of business.

3 PROFESSOR JACKSON: I have no such suggestion
4 to make, sir. My phrase was, would tend to -- that
5 the increased competition of Sweden and Finland would
6 tend to push Canadian mills out of the world market.
7 There is no suggestion in my mind that they would be
8 put out of business, nor am I trying to impugn any
9 such view to the witness; but the witness has testified
10 that unless the freest provisions are given to earn
11 Canadian dollars abroad, this will, shall I say,
12 intensify the competition of Swedish and Finnish mills.
13 I am not trying to put the witness in a position --
14 he has expressed the fear that if we do not use other
15 means to put our customers abroad in possession of
16 Canadian dollars, this will intensify the competition
17 of Sweden and Finland, Swedish and Finnish mills ---

18 A. Correct.

19 Q. So that is why, sir, I am somewhat sur-
20 prised that he has not come armed with precise
21 figures which will show the percentage of world pro-
22 duction of newsprint derived from Canada and the
23 percentages contributed by Finland and Sweden in
24 total, and a further quite important piece of evidence
25 which has to do with the very limited stands of
26 timber to-day in Sweden and Finland.

27 COMMISSIONER WICKWIRE: Are you asking the
28 witness a question?

29 PROFESSOR JACKSON: I beg your pardon. This
30 is a suggestion, sir, that some evidence should have



1 been supported -- some evidence should have been pro-
2 duced in support of his statement.

3 THE CHAIRMAN: That suggestion is more a matter
4 of argument than a matter of examination. You can ask
5 the witness has he produced it, not that he has not.

6 DR. JACKSON: I wish to bring out to the
7 Commission simply that no evidence has been brought
8 forward to support the statement.

9 COMMISSIONER WICKWIRE: Well, that is a matter
10 of argument, Dr. Jackson. If you have a question to
11 ask, please ask it.

12 PROFESSOR JACKSON: The question I have asked,
13 sir, is what is the amount of newsprint produced by
14 Sweden and Finland in comparison with the amount
15 produced by Canada.

16 THE CHAIRMAN: The witness does not know.

17 MR. PLOUFFE: It will be produced by the
18 president of the Paper Association, Dr. Jackson, when
19 Mr. Follett, its president, will be here next week.

20 PROFESSOR JACKSON: All I have suggested, Mr.
21 Chairman, is that the statement was made this
22 morning without the production of any evidence to
23 support it.

24 THE CHAIRMAN: We understand that.

25 MR. MUNDELL: That is all we have this
26 morning, Mr. Chairman, but there are two briefs that
27 will be brought forward this afternoon which are
28 not on the list, subject to your direction. There
29 is the Anticosti Shipping Company, which is on the
30 list, and then, in addition, the Project Sales,



1
2 which is Brief No. 5, and the Shipbuilding Conference
3 of the United Kingdom, which is Brief 52, I believe.

4 MR. PLOUFFE: Am I all through?

5 MR. MUNDELL: Yes, thank you very much, subject
6 to ---

7 MR. PLOUFFE: Yes, I understand.

8 MR. MUNDELL: I beg your pardon, sir; it is not
9 Brief No. 52, but it is Brief No. 25.

10 If that is in order, Mr. Chairman, I shall ask
11 that the representatives be present on those briefs.

12 What time are you proposing to adjourn to, sir?

13 THE CHAIRMAN: I think 2.30.

14
15 ---Whereupon the hearing adjourned at 12.28 p.m.
16 until 2.30 p.m.

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1 AFTERNOON SESSION

2 ---On resuming at 2.35 p.m.

3
4 MR. MUNDELL: The Anticosti Shipping Company.

5 THE CHAIRMAN: Yes.

6 MR. MUNDELL: Mr. Savage, would you move up to
7 the front, please?

8 SUBMISSION OF THE ANTICOSTI SHIPPING COMPANY

9 ---Represented by Mr.C.G.Savage.

10
11 MR. MUNDELL: I think you can assume, Mr.
12 Savage, that the Commissioners have read the brief
13 and it is just a matter of adding what you have to
14 say in the way of additional information or emphasis.

15 MR. SAVAGE: Mr. Chairman, and members, it
16 seems to me from our point of view the pool of ships
17 now available in Canadian waters under Canadian
18 registry is too small to exclude any competitive
19 service. Canada is a young maritime nation and the
20 picture now and in the foreseeable future is not very
21 clear, particularly until the Seaway is operating.
22 There are no signs of Canadian builders providing
23 anything other than canal boats. Most of them are
24 pretty ancient and of very doubtful value from a
25 ship operator's point of view. The demand, of
26 course, is very much greater than the supply.
27 Particularly is that situation being aggravated from
28 year to year now. Any ships being built by builders
29 now are more or less tagged for special service
30 before they are even built. This may sound like a



1 selfish point of view but we use eight to ten ships
2 all the time and our demands are very continuous.
3 We have to have the boats to move the wood to our
4 newspaper mills when they require it. Things cannot
5 be left over from month to month. The result is that
6 we have to have a certain pool of ships on which to
7 fall back when we need them.

8 In a smaller way we have the Island of Anti-
9 costi on our hands which has to be served by boats
10 of one kind and another. We have our own ships
11 running that trade now, but in the event of any
12 accident to any of those ships we would be very badly
13 stuck because there is nothing available in Canada at
14 the present time nor in the foreseeable future.
15 That is really all I have to add by way of emphasizing
16 what is said in the brief.

17 MR. MUNDELL: Q. I wonder if you would answer
18 a few questions for the information of the Commission?

19 A. Yes.

20 Q. In the first place, what is your
21 position in relation to Anticosti Shipping Company?

22 A. You mean in relation to Consolidated
23 Paper?

24 Q. No, in the Anticosti Company itself?

25 A. I am manager.

26 Q. General manager of the company?

27 A. That's right.

28 Q. The company -- correct me if I am
29 wrong -- as I understand it, it is a Canadian
30 company?



1 A. Yes.

2 Q. A federal company?

3 A. Provincial.

4 Q. A Quebec company?

5 A. Yes.

6 Q. It is wholly owned by Consolidated Paper
7 Corporation?

8 A. That's right.

9 Q. What are the operations? Could you
10 describe the physical operations carried out by the
11 company?

12 A. They fall into two categories. One is
13 the servicing of Anticosti Island where we have a
14 large island of 3,000 square miles in the Gulf of St.
15 Lawrence which is mainly used for pulpwood for news-
16 paper mills, and which would be of great value for
17 pulp for many years to come. This island is populated
18 now by five or six hundred people, including Government
19 lighthouse keepers and their families. There are
20 eight Government lighthouses around the island.

21 Q. Are they serviced by you?

22 A. No, by the Government. We service them
23 in part, you see, with our ships. The island is
24 owned outright by the Consolidated Paper Corporation.
25 The main objective there is cutting pulpwood for
26 the newsprint mills.

27 Q. That pulp, does Anticosti Shipping
28 carry on the logging operations?

29 A. No, Consolidated Paper carries on the
30 logging operations. It turns over the wood to us



1 and we move it for them.

2 Q. Are you in charge of the woods opera-
3 tions?

4 A. No. The woods operation comes under
5 the woodlands manager.

6 Q. You are not the woodlands manager of the
7 Consolidated Paper?

8 A. No. Mr. Michaud is. We have these 500
9 people to take care of and service all year around,
10 including the mail. During the cutting season we
11 import twelve to fifteen hundred men for cutting,
12 trucking. They are there from sometimes the middle
13 of April until the middle or end of November or
14 perhaps later.

15 Q. You don't take delivery of the logs just
16 at the water's edge?

17 A. Oh, no.

18 Q. And the Anticosti Shipping brings the
19 logs out?

20 A. That is correct. There are two distinct
21 operations. One is the servicing of the island for
22 the people themselves, the residents, and the people
23 going to work there. Then there is the moving of
24 the wood from Anticosti and other points to our three
25 newspaper mills.

26 Q. The trucking is in connection with the
27 servicing of the island, not the pulpwood?

28 A. That's right. It all comes under
29 Anticosti.

30 Q. In servicing the island what do you



1 carry?

2 A. Just regular supplies. We take down a
3 dozen trucks, maybe, for truck hauling, and things of
4 that sort, oats, hay.

5 Q. Food?

6 A. Oh, yes. Mostly food. Sometimes if we
7 are going to make some construction, some road
8 construction, we have to take down a lot of equipment
9 for it. We are continually moving farther along into
10 the bush with our cutting operation. We now use about
11 25 to 30 trucks on the island, which have to be
12 replaced and serviced and gasoline supplied and all
13 that sort of thing.

14 Q. Could you give the Commission any idea
15 of the tonnage you carry in the matter of servicing?

16 A. About 45,000 tons a year.

17 Q. In?

18 A. That's right. Very little out.

19 Q. And passengers?

20 A. Passengers. We probably handle 1500 to
21 2000 passengers a year.

22 Q. Each year?

23 A. Yes, each year, because there is quite
24 a big turnover in the men.

25 Q. Is this service entirely seasonal?

26 A. A large part of it. About 75% of it
27 is seasonal from the middle of April to the end
28 of November, but we still have 500 people left
29 on the island as residents all year round. They
30 are served by air during the winter months.



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Q. That is an operation of your company?

A. That's right.

Q. But not a shipping operation?

A. Not a shipping operation. Shipping comes and looks after them. That is one of our jobs.

Q. That is the servicing of the island side. On the pulpwood side do you take delivery of the logs at the water's edge?

A. At Anticosti and at Riviere Portneuf and Escoumains, wherever the wood happens to be.

Q. You don't know what the cost of those logs produced at water's side would be?

A. No.

Q. What do you charge for taking the logs from ---

A. The boats are hired on a daily charter basis.

Q. Do you make any charge for it?

A. We charge cost plus depreciation, overhead, whatever it is.

Q. How do you relate that to particular logs or particular pulpwood?

A. On the quantity handled.

Q. What would it cost per cord?

A. Roughly \$4.75 a cord.

Q. That is in the case of Anticosti?

A. Yes.

Q. And Trois Rivières?

A. \$5.25. This should not be for publication, by the way. I don't want any rates



1 published.

2 Q. I think the Commission has to know this
3 fact. You are representing that you don't want
4 restrictions. Unless this is a serious element of
5 cost it won't be of any significance to you one way
6 or the other. On the ships that you use, you say
7 you have two, the Fleures and the Felice, is that
8 right?

9 A. That's right.

10 Q. Are those Canadian or British registry?

11 A. All our ships are Canadian registry.

12 Q. What about the chartered vessels?

13 A. They are Canadian registered too.

14 Q. And have Canadian crews?

15 A. That's right.

16 Q. And you pay Canadian charter rates?

17 A. That's right. We have no alternative.

18 There is nothing else available.

19 Q. How about the U.K.?

20 A. Well, you have to get boats of a certain
21 type, of a certain draught. You have to have suit-
22 able boats. As pointed out in the brief, we have
23 very definite limitations in the matter of boats.
24 There is a fair quantity of wood to be carried.

25 Q. Are Canadian ships then your only
26 source?

27 A. No, definitely not.

28 Q. What other sources are there?

29 A. Well, U.K. ships, and we can sometimes
30 get Norwegian ships. We have used Norwegian ships



1 in the past in the early days of Anticosti.

2 Q. You can't get them in the U.K., you told
3 me a moment ago?

4 A. Oh, yes, we can get them in the U.K. I
5 want to make this clear, we are limited in the type
6 of ship we can use. With only a 15 foot draught,
7 with a good load of wood, you can see how we are
8 limited in that respect. You cannot take 4,000 tons
9 or 10,000 tons, or anything like that. That would
10 be completely out of character.

11 COMMISSIONER WICKWIRE: The draught where?

12 A. At Anticosti and at Escoumains, and at
13 Riviere Portneuf. Now, at Riviere Portneuf we had
14 to purchase four special ships for that very reason.
15 We bought American L.S.T.'s, and converted them.

16 MR. MUNDELL: Q. Are they self-propelled?

17 A. L.S.M.'s, I mean.

18 Q. Well ---

19 A. Yes, they are self-propelled.

20 Q. In the conversion they remain self-
21 propelled?

22 A. Yes.

23 COMMISSIONER WICKWIRE: What was the draught
24 there? 15 foot?

25 A. They have only ten foot six draught.
26 At Escoumains you have 16 feet. When wood is driven
27 down the river it has to be moved; it cannot be
28 held back. It has to be moved in the season
29 between normally the 15th to the 20th of May to
30 the 15th of October. It is in a very tightly



1 compressed season.

2 MR. MUNDELL: Q. At the moment are you short
3 of ships?

4 A. No, we are not short of ships.

5 Q. If you needed more do you think you could
6 get them?

7 A. I am not quite sure about that because
8 of the effect of the iron ore transportation from
9 Seven Islands. In this past season that hasn't
10 interfered too much but in another year, as that
11 quantity of iron ore increases, the availability of
12 ships which are suitable to us will be definitely
13 limited.

14 Q. If there is uncertainty under the present
15 conditions in the matter of ships, why don't you build
16 them?

17 A. Well, for one thing, the cost of building
18 ships in Canada is much too high to make them
19 economically feasible and, on the other hand, the
20 season is only four to four and a half months long.
21 You cannot obviously put millions of dollars into
22 ships for only that short season.

23 Q. Is that season shorter than on the Lakes?

24 A. Yes.

25 Q. Why is that?

26 A. That is in the Gulf of St. Lawrence
27 and the cargo of wood is always above your deck.
28 Navigation qualifications come into it, too. After
29 the 15th of September, or even the 30th of September,
30 it is getting quite late for hauling pulpwood with



1 a big deck load. You find that almost all are anxious
2 to get their wood delivered by the middle of
3 September. The alternative is to take the chance
4 of losing your deck load.

5 Q. When you say that the cost is too great,
6 do you mean to say you wouldn't be able to move
7 your wood?

8 A. It would put the cost out of all
9 reason. The margin of profit on a ton of newsprint
10 is certainly not enough to absorb a 20 to 25%
11 increase in the value of transportation. This
12 wood is more expensive than the ordinary wood which
13 is driven down the river.

14 Q. You said the cost on one of the routes
15 you mentioned was \$4.75 a ton?

16 A. A cord.

17 Q. I beg your pardon. Have you figured
18 out what the cost of that would be moved in a new
19 Canadian vessel?

20 A. I would say close to \$9.

21 Q. Have you worked it out?

22 A. No.

23 Q. Do you know what it would cost?

24 A. A lot depends on how much use can be
25 found for the boat the rest of the year. If you
26 had to use the boat on that trade only, it would
27 certainly run \$9 to \$10 a cord.

28 Q. In the case of the canalers that you
29 hire, you pay a charter charge for four and a half
30 months, is it?



1 A. Yes.

2 Q. They don't work in the winter time?

3 A. They work the rest of the year, eight
4 or eight and a half months. They carry grain and
5 they carry iron ore, things of all kinds. They
6 are usually occupied at least eight months of the
7 year.

8 Q. And work for you only three and a half
9 months, is it?

10 A. Yes, three and a half to four months.

11 Q. But they have a period of time when
12 they are out of operation?

13 A. From the middle of November to the
14 middle of April, yes. They run their ships for
15 at least twice as long as we could run ours.

16 Q. But the charter hire does reflect the
17 case that they are idle about five months of the
18 year?

19 A. It must, because you have capital tied
20 up for four and a half to five months doing nothing.

21 Q. So that charter hire is somewhere
22 between a ship that would work all year round and
23 your three and a half months work?

24 A. That's right.

25 Q. You haven't worked it out, what it
26 would cost you?

27 A. Only mentally.

28 Q. Could you give the Commission the
29 value of the logs at the water's edge, the cost
30 of producing the logs at the water's edge in



Anticosti?

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A. No.

Q. Do you think that Mr. Plouffe could supply that?

A. Is he here now?

MR. PLOUFFE: I am present.

MR. MUNDELL: I wonder if you would come up, too, Mr. Plouffe, because we are getting into a position where neither can answer the question. Perhaps if the two of you were together it would help.

MR. PLOUFFE: Well, as I told you this morning, I don't want to get involved in the Anticosti Shipping end of it because Mr. Savage is more capable in that respect than I am.

MR. MUNDELL: Q. Mr. Plouffe, I asked you this morning if you knew the value of the logs on Anticosti, and you said no, that Mr. Savage would answer that. This afternoon I have asked Mr. Savage the value of the logs and he cannot answer. Is there any way you can indicate to the Commission how the cost of transportation is of significance to your company?

MR. PLOUFFE: If Mr. Savage cannot answer, I cannot.

THE CHAIRMAN: Is there anybody in the Consolidated Paper organization that can answer such a simple question as the cost of their logs at the water's edge?

MR. SAVAGE: That is an internal secret.



1 THE CHAIRMAN: This is a Royal Commission,
2 Mr. Savage, and it is asking you a question. I am
3 afraid you cannot have any such thing as a secret
4 from a Royal Commission.

5 MR. SAVAGE: I am not being abusive or any-
6 thing like that, but I would prefer that you ask
7 the vice-president and controller for those
8 figures.

9 THE CHAIRMAN: He is not here.

10 MR. SAVAGE: If you wished we could get it
11 by to-morrow.

12 MR. MUNDELL: Q. I don't think the
13 Commissioner is so much concerned about the exact
14 cost. Could you give an average cost?

15 A. I would say around \$30 a cord.

16 Q. And the cost of transportation would
17 be \$4.75?

18 A. Plus loading and unloading.

19 Q. What would the cost of loading and
20 unloading run in the order of?

21 A. I would say the loading would be \$1.25
22 a cord.

23 Q. Unloading?

24 A. \$1.00 or \$1.10.

25 Q. That is pretty high, isn't it?

26 A. That is why Anticosti wood is rather
27 expensive compared with river-driven wood.

28 MR. PLOUFFE: If I may say something, to
29 follow up this reasoning, this may bear on what I
30 said this morning, that if we did not have any



1 restrictions, that is, if we were not confined
2 entirely in the hands of Canadian flag ships, Mr.
3 Savage and Anticosti Shipping would be in a better
4 position to have ships at a lower rate than he is
5 paying now and what I am paying on the outbound
6 products, the rate I am paying now for the Great
7 Lakes. Of course, you might say it is inter-
8 national, but still I figure the St. Lawrence
9 Seaway is going to be a deep-water seaway, so even
10 if I am shipping to Toronto, Detroit, Cleveland
11 and Chicago, and so forth, I figure I must look for
12 lower costs because the rates I am paying now are
13 away too high and they would be lower with the
14 Seaway with a 35 foot channel, which I believe it
15 is going to be. We are going to have larger
16 cargoes, as I said this morning, larger ships,
17 which will mean that our cost per ton will be
18 lower. And this is what we are looking for, in
19 order to improve our marketing conditions.

20 Q. But, Mr. Plouffe, you make these
21 assertions but you cannot demonstrate to this
22 Commission that they will be lower.

23 A. Mr. Mundell, I am speaking from my own
24 experience. It is not because I am trying to boast
25 but I have been some 30 years with my company. I
26 am telling you my experience of the past and
27 trying to visualize and crystallize the future.
28 If we had a system of deep water seaway with a
29 35 foot channel all the way up to the Head of the
30 Lakes, which will enable larger cargoes to be



1 carried, we are going to have lower freight rates
2 but we shall not have lower freight rates if we
3 are going to have restrictions and there is
4 created thereby a monopoly.

5 THE CHAIRMAN: What is this 35 foot channel,
6 Mr. Mundell? Let's clear that up. I thought it
7 was only a 27 foot channel, not a 35 foot channel.

8 MR. MUNDELL: Q. It is only a 27 foot
9 channel.

10 A. Is it 27 feet?

11 Q. That is correct.

12 A. 27 feet, I guess, in the St. Lawrence?

13 Q. That's right.

14 A. I'm sorry if I got mixed up, one part
15 with the other.

16 Q. Are you getting mixed up in your cost
17 figures?

18 A. No, Mr. Mundell. Don't forget, I have
19 no evidence to tell you just what the future rates
20 will be, but I am telling you that it stands to
21 reason that right at the present time -- now, I
22 am talking of course from the standpoint of paper
23 products; of course, Mr. Savage knows all about
24 pulpwood and perhaps the same argument would apply --
25 but on account of the 14 foot channel, if I am
26 correct in that, through the canals we can only
27 load 2000 tons. On 2000 tons, let us say to
28 Detroit, I am paying \$5.60 a ton. If I could load
29 4500 tons, do you think it would warrant the same
30 rates? No. Because the expenditure would be



1 about the same. But if we have restrictions the
2 rate might be even more than the \$5. Why? Because
3 a monopoly is going to get me into a circle.

4 Q. Why do you say a monopoly? You said
5 this morning, as I recollect it, that you had not
6 observed any monopoly. Why do you assert there
7 will be a monopoly? There are practically as many
8 shipping companies competing on the Great Lakes as
9 there are paper companies.

10 A. I am basing my judgment as to the
11 monopoly on this fact, the same fact that we have,
12 for instance, conferences of freight rates. We
13 have, for instance, an India freight rate conference,
14 and so on. All the lines get together and you
15 cannot get out of it. You either have to sign a
16 contract or you are stuck.

17 Q. So you have had experience ---

18 THE CHAIRMAN: Is there a monopoly in your
19 business?

20 A. No, sir.

21 Q. Well, I believe there is an associa-
22 tion called the Canadian Pulp & Paper Association?

23 A. I am sorry, Mr. Chairman, but we have
24 no monopoly. As a matter of fact, it has been
25 proven many times ---

26 Q. You quoted as the existence of the
27 monopoly, as proof of that, some trade organiza-
28 tions or associations. I point out to you that
29 there is a trade association in your industry
30 which is appearing before us on the 11th of this



1 month, and yet you deny there is a monopoly there.
2 I am not going to cite any knowledge I have other-
3 wise. I suggest to you that you will have to have
4 stronger evidence as to the existence of a monopoly
5 than the existence of a trade association.

6 A. If I may, talking about a monopoly and
7 a trade association, my answer to this is no. Now,
8 I think you have in mind a monopoly. A monopoly
9 means a price-fixing arrangement. We have no such
10 thing. As a matter of fact, it has been proven
11 many times over and over again. Different
12 companies have been quoting different prices.
13 There is no monopoly. But the Association is
14 trying to co-ordinate for the benefit of the
15 consumers, to co-ordinate services and practices
16 but not for price-fixing.

17 THE CHAIRMAN: What I am pointing out to you
18 is that the type of trade associations which you
19 have referred to as being evidence of monopoly may
20 have an equally innocent and beneficial purpose as
21 your own.

22 A. We have the Canadian Confederation
23 of Steamships. We have the Lawyers Association,
24 for instance. Mind you, everything to-day in this
25 century of ours, everybody is associated in some
26 way or another, but that doesn't mean that there
27 is a monopoly in any particular way, that the
28 price is being fixed, that the feature of
29 competition is removed.

30 MR. MUNDELL: Q. You say it is removed.



1 Why is it removed?

2 A. I say this, in an association -- now,
3 you can be associated together ---

4 Q. I think we understand your point on
5 the association. Could we come back to this
6 question of monopoly on, say, the Great Lakes?
7 Would you say there was a monopoly on the Great
8 Lakes right now, or do you know?

9 A. I say no, because the British are
10 there. If they weren't there, there would be.

11 Q. Would you agree that the British
12 shipping on the Great Lakes has been of practically
13 no significance to date?

14 A. That is a very debatable question.
15 I know somewhat differently.

16 Q. You think it has been of significance?

17 A. Yes, it has been a very beneficial
18 factor.

19 Q. How?

20 A. This is a long story. I think a
21 steamship man and those you are going to hear
22 between now and the end of next month will be
23 better able to explain. I am not going to mention
24 anybody. Off the record ---

25 Q. No, it cannot be off the record.

26 A. I am not a qualified man to explain
27 to you all this.

28 Q. No, but that is what you are putting
29 your argument on. Your argument is that you are
30 going to be hurt by any change in the shipping



1 laws and now you won't talk about it.

2 A. I am making an assertion because, as I
3 told you this morning, I am fearful. I am fearful
4 if we have restrictions it is going to amount to
5 that.

6 Q. Can we come back to the Anticosti
7 Shipping Company? Is this problem of obtaining
8 ships also -- at the moment you are not short of
9 ships.

10 MR. SAVAGE: No.

11 Q. Is this problem of obtaining ships a
12 mere fear?

13 MR. SAVAGE: What is the question?

14 Q. You advocate that there be no restric-
15 tions, or that restrictions be removed because you
16 are fearful you will not be able to obtain ships,
17 is that right?

18 MR. SAVAGE: That's right. It is weakening
19 the market from the buyer's point of view.

20 Q. You are using the canalers now. Would
21 you use larger vessels ---

22 MR. SAVAGE: If they had the right draught.

23 Q. And you cannot use larger vessels,
24 you said?

25 A. We have to get around and see what we
26 can find.

27 Q. Supposing when the St. Lawrence
28 Seaway goes through, the thing that happens is
29 that those smaller canalers go out of service --
30 on the Lakes service. Will that not be a



1 tremendous supply of new boats available to you?

2 A. Oh, no, most of them will be scrapped
3 before then. About 65% of the present canal boats
4 are from 35 to 45 or even 60 years of age.

5 Q. There is nothing to prevent you getting
6 ships from the U.K. now?

7 A. We don't have to at the present time
8 because the rates are kept in balance due to the
9 fact that there is the foreign and British coasting
10 trade ships available.

11 Q. Would you be satisfied with the
12 retention of the present situation or do you want
13 the removal of all restrictions?

14 A. That is a pretty difficult question to
15 answer.

16 Q. I think you pretty well have to take a
17 stand on it if you are making a representation.

18 A. The representation is right there in
19 writing, the way it is there.

20 Q. I wasn't too clear.

21 COMMISSIONER WICKWIRE: You say it is doubt-
22 ful that there is sufficient in the pool to meet
23 your urgent requirements. What happens to the
24 vessels in charter now when they are not working
25 for you?

26 A. They are used in the grain trade.

27 Q. Why couldn't you build them?

28 A. Because we are not in the shipping
29 business. That is as a strictly shipping
30 business. We are just in the service of moving



1 wood.

2 COMMISSIONER WICKWIRE: Are they in the grain
3 business during the closed season?

4 A. All the other canal boats are in the
5 grain and ore business.

6 Q. That is, they are used for the storage
7 of grain, is that what you mean?

8 A. During the winter months, yes, but in
9 the other months, they are operating months, they
10 are carrying grain and iron ore.

11 THE CHAIRMAN: I can't understand why your
12 operating season is so limited?

13 A. We have to get our wood in in three and
14 a half to four months.

15 Q. Why?

16 A. Because of navigation problems and the
17 fact that the wood comes down the streams to the
18 loading point when you have the spring floods.
19 There is no way of doing it otherwise.

20 Q. Then the reason for your short operat-
21 ing season with the ships is the particular form of
22 your woods operation?

23 A. The type of operation, yes. I think
24 you will find that typical of all pulpwood movements
25 on the St. Lawrence River.

26 COMMISSIONER WICKWIRE: You are in the
27 shipping business but you couldn't be in the grain
28 shipping business or the ore shipping business?

29 A. We are not in the general shipping
30 business. We are a service company for Consolidated



1 Paper Corporation.

2 Q. What is to prevent you getting into
3 those businesses?

4 A. Well, we obviously don't want to mix
5 shipping and newsprint. The main job of our cor-
6 poration is making newsprint. We don't want all
7 these sidelines.

8 Q. I can understand that, but I was
9 wondering if there was any physical or legal barrier
10 to prevent you doing that in order to lower the
11 cost of your ships for your wood-hauling operation?

12 A. I don't think that would be done.

13 MR. MUNDELL: Q. You don't choose to, in
14 any event?

15 A. Well, obviously, if you want to go
16 and spend $\$1\frac{1}{4}$ million or \$5 million on four ships
17 and run them for four months ---

18 Q. Are these actual figures? How are you
19 relating these figures to it?

20 A. I understand the cost of building a
21 canal boat to-day is in the neighbourhood of
22 \$1 million to $\$1\frac{1}{4}$ million.

23 Q. Have you made any enquiries?

24 A. Yes.

25 Q. I mean, this is an informed figure,
26 not something pulled out of a hat?

27 A. Oh, no, any shipbuilder can give you
28 that price.

29 Q. We got approximate figures of \$5
30 for transporting the wood and \$30 a cord?



1 A. I think I was high on that \$30. I
2 think it is closer to \$25 or \$27. I am only
3 talking guesswork because I haven't the figures.

4 Q. All I want to do is get some idea.
5 Could you give the Commission some idea?

6 COMMISSIONER WICKWIRE: For my own benefit,
7 are we going to have somebody who can give us a
8 figure that we could rely upon?

9 A. Is the Canadian Pulp & Paper Association
10 represented here?

11 MR. MUNDELL: They will be here later.

12 COMMISSIONER WICKWIRE: In your own operation?

13 A. I can get the information for you.
14 What do you wish -- all the wood handled by water?

15 Q. You gave us a figure a moment ago of
16 \$30 a cord at the water's edge at Anticosti. It
17 is now changed to \$25 or \$27.

18 A. I haven't the figures. I am just
19 guessing at those figures. It is not within my
20 province to give those figures. If the Commission
21 wants it, I will put the matter up to the vice-
22 president in charge and it is up to him to release
23 those figures, not me.

24 MR. MUNDELL: Q. I will tell you the reason
25 we want that information. You are making rep-
26 resentations that you will be hurt by restrictions.
27 That is both Consolidated Paper and Anticosti
28 Shipping, one being the alter ego of the other,
29 both egos are making that representation. If
30 you are going to be hurt, that is a fact that the



1 Commission will have to take into consideration, but
2 it isn't enough to just -- I mean, it is not very
3 helpful for the Commission to have you come and
4 say, "We are afraid". If you are going to be hurt,
5 can you show the magnitude of it, where you are
6 going to be hurt, and the size of the hurt?

7 A. When you get to that stage you have
8 to go back and investigate the cost of newsprint
9 manufacturing and find out all about that.

10 Q. That is the very point I was coming to.
11 If we could get the value of the logs before
12 shipping, the cost of shipment, the percentage
13 of the final cost of newsprint that is represented
14 by the log cost, then in some way or another we
15 could find out how far your price would be affected
16 by ---

17 A. I could partly answer that by telling
18 you that the corporation as a whole cuts and uses
19 about one million cords of wood a year. Now, we
20 are hauling 200 to 250 thousand cords. The other
21 750,000 cords comes from river-driven wood. Some
22 is purchased wood that comes by truck but it is
23 largely river-driven wood which is obviously the
24 cheapest form of wood there is. Every dollar you
25 spend on transportation of wood that you need from
26 other sources than river-driven wood increases your
27 cost, does it not?

28 Q. Yes, but how much?

29 A. That is a figure I don't know.

30 Q. Is it significant?



1 A. It would be a substantial figure,
2 obviously.

3 Q. Well, if it is obvious then it can
4 be demonstrated. Would you do that?

5 A. I will ask the vice-president to give
6 you the figures.

7 Q. I know it is rather unfair to ask you
8 for precise figures like this, but if you could
9 show what the cost of transportation is, what
10 percentage of your ultimate cost figure or price
11 is represented by the Canadian coasting trade
12 transportation costs, that would be of very great
13 assistance to the Commission, I think.

14 A. I only represent Anticosti Shipping
15 Company. I am not supposed to know anything about
16 woodlands, or the cost of it.

17 Q. I am surprised the two of you speak
18 to each other.

19 A. Well, I come in contact with him all
20 the time. Mr. Plouffe doesn't know anything at
21 all about this end of it. He is handling traffic
22 on the other side.

23 Q. Mr. Plouffe knows what you charge him.
24 Mr. Plouffe's company should know what the cost
25 of the logs is and what his ultimate price is?

26 A. Well, he doesn't handle that at all.
27 He handles the supplies to the mill and the paper
28 going out.

29 Q. Could I put it to you this way --
30 do you understand what I am trying to get at?



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A. Yes.

Q. Could you give the Commission figures showing the significance ---

A. Of transportation in the cost of wood?

Q. In your ultimate price?

A. I will get that for you and send it on.

Q. I wish you would. You can send it to the Secretary.

A. In the form of a letter? Would that be all right?

Q. I think a letter would be all right.

Isn't that right, Mr. Chairman?

THE CHAIRMAN: Yes.

MR. MUNDELL: Q. As a matter of fact, I think at the present time under the Income Tax Act, the logging tax, you have to make these calculations anyway?

A. Probably. Of course, you could read it in any of the published balance sheets and find out what our profits per ton are.

Q. Oh, no. I don't think the Commission wants you to reveal anything that would hurt you competitively, but just if you could give them an accurate, correct idea of what we have been discussing.

A. One of the big secrets between all paper companies is the cost of wood. They know everything else but the cost of wood. Wood is such a great proportion of the eventual cost of newsprint.



1 Q. It is a strange fact but five paper
2 companies went together in an income tax appeal
3 and they all revealed their cost of wood to each
4 other.

5 A. Maybe they had to.

6 Q. They could have tried them separately,
7 I suppose, but I happen to know that because I
8 acted on that matter. That is why I am quite
9 sure you will have these figures without going to
10 too much trouble.

11 Then, coming to the final point, and I think
12 we have got at it in a number of ways but I would
13 like to come at it directly, you do not at the
14 present time use the present seaway at all?

15 A. No, it doesn't enter into our cal-
16 culations at all, except in so far as the future
17 picture for the canal boats is concerned, what the
18 situation will be in the future. We feel they will
19 gradually disappear and that will very definitely
20 limit the market of available boats.

21 Q. And you are not satisfied to be able
22 to buy them in the U.K.? You want to be able to
23 buy them anywhere?

24 A. Yes.

25 Q. And, Mr. Plouffe, I think you said
26 that the Seaway didn't enter into your present
27 operations in distributing paper?

28 MR. PLOUFFE: A. At the present time it
29 does to a certain extent. Of course, when you
30 talk about the Seaway, you can talk of Montreal



and west.

1 Q. That is what I had in mind.

2 A. Of course, it does not from a domestic
3 viewpoint, but it does from the point of view of
4 ports like Cleveland and Chicago. Small cargoes
5 of about 2000 tons, we hope they might be increased
6 to 4000 or 4500 tons when the deep channel is
7 built up, which will materially decrease the cost
8 of trans-shipping, we hope, providing of course
9 you don't put any restriction on it.
10

11 Q. But you haven't any evidence to show
12 beyond general judgment that the restrictions
13 would result in higher costs? You just expect they
14 will?

15 A. Mr. Mundell, I have said many times this
16 morning and again this afternoon that we are looking
17 ahead about 25 years. I haven't anything con-
18 structive I can give you to prove my assertions,
19 but I think the problem can be sized up readily by
20 just thinking about it for a moment. If you
21 minimize the operators or if you actually restrict
22 the number of operators, you are going to find us
23 confined in the hands of a so-called -- what I said
24 before -- monopoly, which I think people don't like
25 very much. We don't want that. We want to have
26 free trade so we will be in the position of having
27 a choice. Every one is purchasing transportation
28 at a cost, at a price, at a price that can be paid.
29 I don't purchase it if the price is too high. Now,
30 my job is to try to buy that transportation. I



1 don't care whether a boat is subsidized by Sweden,
2 the U.K. or any other nation, it is none of my
3 business. What I am trying to do is purchase
4 transportation at a price that is as low as
5 possible. That is my job. That is what I am
6 paid for. At a price that will enable my
7 corporation to make a saving of as much as possible
8 so as to deliver the paper to its destination,
9 whether it is to a point in Canada or a point in
10 the United States, at the lowest possible cost.
11 We have to meet very strict and very keen com-
12 petition. Don't forget that the Scandinavians
13 are coming up into our Great Lakes and they are
14 delivering paper right up to the Head of the
15 Lakes. We have to meet that competition. I am
16 even using their boats but I am getting them at a
17 price that nobody in Canada could give me the same
18 rate on.

19 Q. There is nothing to prevent you using
20 Norwegian or Swedish vessels right now on the
21 international runs?

22 A. The only thing I am using them for is
23 the U.S.A., not for Canada.

24 Q. And going up the canals?

25 A. I have never used them up through the
26 canal but I have used them to the Atlantic.

27 Q. In any event, you have no calculations
28 or figures on this?

29 A. No.

30 Q. If you would recognize, too, that



1 there may be other interests involved, I mean your
2 interest is to get your lowest costs, but there may
3 be other interests that might require other things
4 to be considered and not to have the policy of
5 the country shaped to a point where it is providing
6 you only with lower costs, I mean this is a com-
7 promise?

8 A. That's right.

9 MR. GERITY: Q. Mr. Savage, aren't your
10 ships managed by the Hall Corporation?

11 A. Some of the ships.

12 Q. Do you know the company?

13 A. We have certain charter boats which are
14 not managed by Hall Corporation.

15 Q. Would you say their fleet was obsolete
16 and uneconomical?

17 A. Some of them.

18 Q. Do you use them?

19 A. Not at the present time.

20 Q. Has the Quebec and Ontario company
21 built any ships lately?

22 A. For their own special use.

23 Q. They are in the paper business?

24 A. In the paper business and in the pulp-
25 wood business.

26 Q. And extensively?

27 A. Extensively, but not as extensively as
28 we are.

29 Q. These L.S.M.'s that you have, you
30 bought them in the United States?



1 A. That's right.

2 Q. With limiting draughts of 14 and 15
3 feet at your various sites, would you tell me what
4 European and British tonnage is available for your
5 service?

6 A. We have to look around.

7 Q. Have you had any tenders or any know-
8 ledge really of this subject?

9 A. Not for several years. You see, the
10 canal boats have been looking for work.

11 Q. What is obsolete about the situation?

12 A. If you know the term in the shipping
13 business "coal-eater" -- do you know that term?

14 Q. What do you suggest would be cheaper?

15 A. They are uneconomical from the point
16 of their burning so much coal.

17 Q. Yes, but what else is obsolete about
18 them?

19 A. We cannot use them, for instance, be-
20 cause the tank tops are too thin.

21 Q. Do you think that if the ship owners
22 had any confidence in the future that they might
23 build the kind of ships you need?

24 A. I suppose that's possible, yes, but
25 there again that raises the problem of finding work
26 for eight and a half months.

27 Q. Aren't there other businesses in and
28 about the Lakes besides yours?

29 A. A certain amount.

30 Q. You have always chartered from



1 Canadian companies heretofore, haven't you?

2 A. No, we have chartered from a Swedish
3 company.

4 Q. Not in the Canadian coasting trade?

5 A. Yes, we have.

6 Q. How? With special permission?

7 A. With special permission, yes.

8 Q. Why? No tonnage available?

9 A. No tonnage available.

10 Q. Was that during the war?

11 A. That was before my time. I am just
12 speaking as a guess now.

13 Q. Is it reasonable for me to suggest that
14 if the Canadian ship owners had some confidence in
15 the future, represented by having their own coasting
16 trade, that they might supply the vessels you need?

17 A. I don't doubt that. You must not feel
18 we are not sympathetic to the alien shipbuilders.

19 Q. I should have told you that I represent
20 some of the Lake owners.

21 A. You are working together -- ship owners
22 and shipbuilders.

23 Q. I don't think you would find too many
24 people agree with that.

25 A. The point is that maybe in 25 years'
26 time when the ship owners and shipbuilders have
27 created a fleet that will be useable in the St.
28 Lawrence Seaway and elsewhere there will be a mar-
29 ket available.

30 Q. Didn't the Hall Company have



1 sufficient confidence in the future to build them?

2 A. I will say this, I think you will find
3 they are building boats for special jobs.

4 Q. You know the Company fairly well?

5 A. The Hall Company, fairly well.

6 Q. I take it the Anticosti Shipping
7 Company pretty accurately represents the views of
8 the parent company?

9 A. Yes.

10 Q. So the word "shipping" we can drop out?

11 A. Oh, no, I don't think so.

12 Q. In other words, you feel you represent
13 the view of the Canadian ship owners?

14 A. Well, perhaps.

15 MR. SIMARD: Mr. Chairman, I represent the
16 Marine Industries Branch Limited.

17 Q. You mentioned in your statement that
18 there was nothing available in Canada to carry
19 pulpwood. Have you investigated that?

20 A. Yes, we have, in a general way, over
21 the past ten years or so.

22 Q. How many years?

23 A. Over the past ten years.

24 Q. And you could not find anything ---

25 A. You can't make broad statements like
26 that.

27 Q. Well, you did, sir?

28 A. I mean to say, the only point
29 is that it is a question of what can be provided
30 and what cannot be provided. At certain points

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1 we had to watch the continuity of loading and un-
2 loading, as well as the transportation of the wood,
3 we have to get a certain type of boat, a certain
4 number of boats, and that is why in the past we
5 have been confined to a certain kind, but that does
6 not mean to say we have got to continue it.

7 Q. Do you think there would have been some
8 people interested in having long term contracts
9 with you in supplying the ships for your purposes?

10 A. We have not been in a position to get
11 any long term contracts.

12 Q. You have not been in a position to get
13 any long term contracts?

14 A. No, definitely not.

15 Q. You stated a period of only three and
16 a half to four months. How many years have you
17 been in your present occupation with the Anticosti
18 Shipping?

19 A. Twenty odd years.

20 Q. You stated you could not transport
21 any pulpwood from Anticosti to Three Rivers for
22 three and a half to four months?

23 A. Yes, if you know the situation. That
24 is another generalization. It does not mean any-
25 thing, not even the words you put in my mouth.
26 That is a generalization which has no bearing on
27 the subject.

28 THE CHAIRMAN: Q. Wait a minute. Are you
29 saying those were words some one put in your
30 mouth? Those are words which came out of your



1 mouth, Mr. Savage, and I checked you at the time
2 because I was of the opinion that the movement of
3 your pulpwood could have been carried out in a
4 period very much longer.

5 A. No, sir, it can't be done.

6 Q. Well, you say, out of your mouth now,
7 that it cannot be done?

8 A. It certainly can't.

9 MR. SIMARD: Q. So it would extend from what
10 time of the year, under normal conditions?

11 A. On Anticosti Island, from about the
12 10th of May until about the 30th of September.

13 Q. From the 10th of May at Anticosti?

14 A. Yes.

15 Q. On account of the weather, on account
16 of the river being frozen before that?

17 A. On account of the bay being frozen.

18 COMMISSIONER WICKWIRE: Q. Just a minute,
19 Mr. Savage. I have a note here. You said before
20 the 15th of May to the 15th of October.

21 A. That was not for Anticosti wood. That
22 was Port Neuf. Anticosti wood is 360 miles below
23 Quebec.

24 Q. Yes, I have an idea where the island
25 is.

26 A. You cannot ship a 15 or 16 deck load
27 of wood in the middle of October with the assurance
28 that it is going to reach its destination.

29 Q. Where is the point it will reach from,
30 from the 15th of October?



1 A. Escoumains, on the north shore of
2 Quebec, and that season cannot start until the 10th
3 of June, because the wood goes down the river and
4 has to be taken downriver to the loading point when
5 the river is in spate. We cannot just push the
6 logs into the river and expect them to go down when
7 we want them. We have to get the majority into
8 the river, to get to the loading point, when the
9 river is at its full ebb.

10 MR. SIMARD: Q. Why is it that after the
11 30th of September you cannot take wood out?

12 A. Navigation.

13 Q. Is it because of the height of the
14 water?

15 A. Navigation on the St. Lawrence River.

16 Q. In the St. Lawrence River?

17 A. Yes, you have a 15 or 16 foot deck
18 load of wood above your decks and if you run into
19 rough seas, as you do, just like the Atlantic
20 Ocean, the boat starts to roll, the wood starts to
21 fall off, and you lose your wood. That has
22 happened many times.

23 Q. This might have been because of the
24 way you were loading your ships.

25 A. Well, how else would you load them to
26 get a better load?

27 Q. Well, I don't want to argue with you.

28 A. Well, you are ---

29 Q. I know, but another competitor of
30 yours is carrying from the Island of Newfoundland



1 from the 1st of May until late October or before
2 November.

3 A. They have a different operation entirely.

4 Q. In what way is it different, as far as
5 transportation is concerned?

6 A. They are towing with a different barge
7 which is entirely different to the one we are using.

8 Q. Is it not because of the way you are
9 loading your ship; that is the reason you cannot
10 load after the 30th of September?

11 A. Outside of the Gulf of St. Lawrence
12 they are using tow barges and it is pushed by the
13 coast of Newfoundland and on the west side of
14 Newfoundland.

15 Q. All around, sir?

16 A. No, sir, not all around.

17 Q. On the east side -- I can name all the
18 ports.

19 A. Well, I am not an expert on that.

20 Q. Neither am I, but you are the shipper ---

21 THE CHAIRMAN: I have seen the same type of
22 vessel in the Pacific Ocean.

23 MR. SIMARD: Q. I would like to stress the
24 point that the statement which was made was three
25 months, and after four months in the year, that is
26 the statement that I was discussing, and coming
27 from a man of experience like Mr. Savage ---

28 A. Would you take a contract to haul
29 50,000 cords of wood to Anticosti?

30 Q. We will discuss that outside this



1 room, if you don't mind.

2 Now, Consolidated is cutting about one million
3 cords a year, pulpwood, of which about 250,000
4 cords is carried by water?

5 A. That's right.

6 Q. And 750 is taken down the St. Maurice
7 River?

8 A. Partly, and some others -- we have a
9 mill at Port Alfred.

10 Q. Is this wood being cut on Government
11 limits or on free road?

12 A. Well, that is a question I am not
13 supposed to answer.

14 Q. I see Mr. Plouffe ---

15 A. I don't think he knows.

16 MR. PLOUFFE: Mr. Simard, I heard your question
17 and I am not in a position to answer that question,
18 Mr. Simard, because I am sorry, I regret very much I
19 am not the executive to answer that question,
20 because I don't really know what the contracts are.
21 You will have to get the president to answer that
22 question, not me.

23 MR. SIMARD: All right, I will ask again.
24 I am sorry the witness cannot answer.

25 MR. SAVAGE: I might say, Mr. Chairman, we
26 did not anticipate that this was going to get into
27 all these technicalities and going back to
28 Consolidated Papers, the cost of making the news-
29 print and things like that.

30 THE CHAIRMAN: I cannot see how the



1 contention could be supported or refuted in any other
2 way except to examine upon exactly the points which
3 Mr. Mundell and Mr. Simard have been dealing with
4 now. You see, it is not sufficient for a cor-
5 poration to come in and make the kind of statement
6 made, when examination of that statement shows it
7 is simply based, in many cases, on a fear of a
8 situation which never has existed to date and which
9 may or may not exist.

10 MR. SAVAGE: Well, sir, you must admit the
11 situation at the present time, as far as boats in
12 the river and the Gulf of St. Lawrence is concerned
13 at the present time, is certainly not clear, with
14 the Seaway in the present position and the position
15 of the lake and canal boats.

16 THE CHAIRMAN: As I can see it, you seem to
17 be in the unique position where the Seaway is going
18 to supply you with a cheaper source of transpor-
19 tation. You are going to have available to you the
20 kind of boats which you can use, and the only kind,
21 and they are going to become cheap, because they
22 are going to be useless or inefficient for present
23 use. Now, I would think you would have been happy
24 about a situation like that, and that especially
25 from the point of view that you have not used, in
26 the coasting trade, up to the present time, any
27 United Kingdom bottoms and, in fact, very, very
28 few of them do.

29 Well, now, is the examination completed?

30 MR. MUNDELL: I would like to ask a further



1 question:

2 Q. Have you given consideration to changing
3 the method of your operation to what appears to be
4 the methods adopted by many other companies carrying
5 on similar operations, for instance, on the West
6 Coast, going into tugs and tows and barges? They
7 would certainly meet your draught requirements.

8 Have you given study to that?

9 A. Well, that is not advisable in the Gulf
10 of St. Lawrence.

11 Q. That is your opinion, at any rate?

12 A. If you are referring to the recent
13 development on the Pacific Coast, where the Powell
14 River Company ---

15 Q. No, I don't mean that one.

16 A. They have been tipping the wood into
17 the water. In fact, that originated with myself
18 some years ago, I think there is no secret about it,
19 but we have given thought to a number of other means
20 of transportation which would be cheaper than the
21 one we are using now.

22 Q. And in your opinion there is no scope
23 for barges and scows?

24 A. No, it is too risky, too risky alto-
25 gether. The boat has to have its own propulsion
26 in order that it may get out of trouble, if it gets
27 into trouble.

28 Q. How do the waters differ, the waters
29 of the Pacific from the waters off Newfoundland?

30 A. Well, I am not specifically familiar



1 with that. The majority of the wood in Newfoundland
2 is on the west coast, which is protected water.

3 Q. Your statement is that the water is
4 different?

5 A. Well, certainly. Have you been to the
6 west coast of Anticosti Island?

7 Q. No, but I am quite willing to go.
8 There are some places on the West Coast that are
9 even worse than the Atlantic.

10 A. It isn't even like the river towing at
11 all. You might speak of the Mississippi River,
12 where they put all their loads very high, but
13 that is placid water, and around Anticosti and
14 from 50 to 70 miles this side you get 18 to 20 foot
15 waves.

16 Q. Well, of course, the towing on the
17 West Coast is in open water, protected by the
18 island of Japan.

19 A. You have to run it like a train
20 schedule, to get a boat back at a certain time so
21 that your unloading gangs can get busy. You cannot
22 just say, "I have got 5,000 cords of wood to move
23 from Anticosti to Port Alfred", and then just
24 move it. It has to go 1000 cords a day, so that
25 the unloading as well as the transportation prob-
26 lems are increasing. You are just getting an
27 obvious view of the thing, that is the trouble.

28 Q. Well, I was just wondering whether
29 you synchronize your operation to use more
30 extensive transportation or if you got cheaper



1 transportation -- I was just wondering as to the
2 sequence of your argument, that is all.

3 A. If we could convert to loose wood, it
4 would be a less important matter, because you do
5 not need a gang of 100 men to handle the wood, you
6 need only 20 men to pull it into the boat and
7 carry it away, but at the present time we cannot
8 get boats like that and we have to stow the wood.

9 MR. MUNDELL: All right, that is all.

10 COMMISSIONER WICKWIRE: Q. I saw a shipload
11 of pulpwood going up the St. Lawrence the other day
12 in Quebec Harbour, last week, a week ago yesterday.
13 Would that have been some of your wood?

14 A. It could be. There are two or three
15 companies hauling wood there, the Anglo-Canadian,
16 they haul from Forestville to Quebec City. I think
17 it is more likely that than ours, than ourselves,
18 but we have had eight or nine ships running nearly
19 all season at different times.

20 MR. MUNDELL: Thank you very much.

21 MR. SAVAGE: I will let you have those
22 figures.

23 THE CHAIRMAN: We will recess.

24
25 ---A short recess.

26 MR. GERIN-LAJOIE: Mr. Chairman, you will
27 now hear the presentation of Project Sales
28 Limited, Brief No. 105. We have present Mr.
29 Sorenson and Mr. Scriber. Mr. Sorenson is
30 president of the company and Mr. Scriber is



vice-president.

SUBMISSION OF PROJECT SALES LIMITED

MR. P.F. SORENSON: Mr. Chairman, we are a very small company and specialize particularly in sales and engineering of highly specialist equipment utilized aboard ships. As we have pointed out in the brief, we have succeeded in having some of that equipment manufactured in Canada under sub-contract and in the designs we complied with the Department of National Defence requirements.

We have carried it a step further in numerous industrial operations and we have also had this equipment manufactured in Canada. We have given some idea of the scope of the work we have done here and, for a very small company, I think there are probably hundreds like us, and we think the sum total of these companies probably adds up to quite an important picture.

The machinery portion of a ship is a very considerable one in the cost of a ship. In certain types of vessels, auxiliary equipment will reach as high as 50% of the total cost of the ship. I have gotten this figure from the Ship Register itself, and on other types of ships it runs to 30%. We are not particularly concerned with a restriction on coastal trading, inasmuch as it does not affect us only indirectly. However, the two are correlated and it is difficult to disassociate the two. We have not taken any stand on it for the



1 reason that we are not directly concerned with it.
2 We would invite any questions you might have.

3 THE CHAIRMAN: Thank you.

4 MR. GERIN-LAJOIE: Q. Mr. Sorenson, I think
5 your brief shows well enough the operations of
6 your company.

7 A. Yes.

8 Q. But I am wondering if your brief shows
9 that there is any problem concerning your company at
10 the present time. If I read at the bottom of page 4
11 of your brief as it appears in the book published
12 by the Commission, I read the words:

13 "The world-wide economic condition in the

14 "marine trade is well known. It is not

15 "the purpose of this brief to discuss it."

16 Would you mind saying, in a few words, what you
17 have in mind when you say that the world-wide
18 economic condition of the marine trade is well
19 known, and this is probably the reason for your
20 brief and your appearance before this Commission.

21 A. Probably we are in error in stating so
22 in the brief, but the shipping picture we do know,
23 because we have international trade in our country
24 as well, as well as this, but with the exception
25 of the North American Continent, shipbuilding during
26 the past three years has been at an all-time high
27 throughout the world.

28 I visited the British shipyards earlier this
29 year and there are backlogs of up to four years.
30 The Japanese, the Germans and Dutch all have work



1 on hand. The only yards with no work on hand are
2 in Canada, are the Canadian yards, except for the
3 National Defence contracts, and those are rapidly
4 drawing to a close.

5 Q. What is the situation in the United
6 States, as far as you know?

7 A. The situation in the United States, as
8 far as I know, through our Association in Hartford,
9 Connecticut, the picture is generally the same,
10 although not quite as bad, as in Canada, inasmuch
11 as the United States Government have a subsidization
12 shipbuilding programme by the United States Maritime
13 Commission, and therefore the freighters are being
14 built and subsidized by as high, I believe, as 40%
15 to the shipping owners, and apart from that, ship-
16 building is not very good in the United States.
17 At the present time, we in Montreal and our
18 Association in Hartford have learned of vessels
19 being built in Japan.

20 THE CHAIRMAN: Q. What kind of shipowners
21 are having their ships built in Japan?

22 A. These are American shipowners.

23 Q. We are faced with this situation, then,
24 that we are asked to give the Canadian coastal
25 trade to Canadian built and Canadian operated
26 ships. In the United States that is done, as far
27 as coastal trade is concerned, and the inter-
28 national trade is subsidized both in construction
29 and in operation; so in spite of perhaps the
30 highest kind of protection the world has ever



1 known, the American ship owner goes to Japan to have
2 his ship built?

3 A. You are quite right, sir.

4 Q. Does that not pretty graphically
5 demonstrate the inefficiency of any kind of restric-
6 tion if, under those circumstances, he will go out
7 to have his ship built?

8 A. Well, sir, these ships being built in
9 Japan, I believe, at the present time, and there
10 are about 28 or 29 ships under construction for
11 American interests, are very largely Greek-owned,
12 and the owner may operate his vessels under various
13 flags to help cut down the cost of operation. We
14 have installed equipment on some of the ships and
15 we have even had to translate some of our instruction
16 books to the Greek language in order to teach the
17 engineers to operate the equipment. That is
18 probably for tax reasons that they have these foreign
19 flag operations.

20 MR. GERIN-LAJOIE: Q. Mr. Sorenson, you
21 mentioned that the shipbuilding industry in Canada
22 is at a low point and yet I understand, and you
23 correct me if I am wrong, from your brief, that the
24 operations of your company, as far as your company
25 is concerned, have been progressing during the
26 past few years, since you have been in existence.
27 Is that correct?

28 A. That's right, sir. We have been
29 progressing, probably because of the highly
30 specialized equipment which we handle, but there



1 has been only one source to which we could sell this
2 highly specialized equipment, because there has
3 been only one shipbuilder in Canada, and that has
4 been the Department of National Defence, the Royal
5 Canadian Navy, and we are very much engaged in the
6 shipbuilding programme that is now drawing to a
7 close with the R.C.N. We are probably like many
8 other companies in a similar position.

9 MR. SCRIBER: I would like to expand that.
10 We do not foresee, under the existing shipbuilding
11 picture in Canada, that situation continuing.

12 MR. GERIN-LAJOIE: You mean you do not fore-
13 see continuing having contracts?

14 MR. SCRIBER: No, we don't.

15 MR. GERIN-LAJOIE: Why? On account of ---

16 MR. SCRIBER: Lack of shipbuilding.

17 MR. SORENSON: Lack of shipbuilding.

18 MR. GERIN-LAJOIE: (To Mr. Sorenson) Q. A
19 more serious lack than we have had up to now, you
20 mean?

21 A. That's right, sir.

22 MR. SCRIBER: In our opinion, as soon as the
23 work which we have on hand with the Department of
24 National Defence in shipbuilding is concluded, we
25 expect -- well, it seems to have reached some kind
26 of saturation point,

27 MR. GERIN-LAJOIE: Q. That situation would
28 be quite independent from the opening of the
29 Seaway, the slacking off of the shipbuilding
30 industry in your own field of operation?



1 MR. SCRIBER: Yes, as the Seaway will open,
2 the Department of National Defence shipbuilding
3 programme will probably be closed.

4 MR. GERIN-LAJOIE (To Mr. Sorenson): Q. Well,
5 let us not talk about the Seaway; but if there
6 were to be no deepening of the Seaway, you would
7 still complain of the situation?

8 A. Oh, yes, we would still complain of
9 the situation.

10 MR. SCRIBER: I think "complain" is a rather
11 strong word. I don't think we try to complain.
12 I might explain that we have dealt with a fairly
13 isolated section of marine activity, of ship-
14 building in Canada, and the purpose of submitting
15 this brief was to bring to the attention of the
16 Commission some of the experiences we have had,
17 some of the opinions we may care to express which
18 may be of interest and perhaps helpful to the
19 Commission in their findings. We do not come here
20 with an axe to grind, we do not come here with
21 strong recommendations one way or another; we
22 come here with a little experience in this supply
23 business under our belt, which, as our brief shows,
24 has in the last four years materially benefited
25 Canadian labour and Canadian business, to some
26 extent.

27 Q. Now, if we keep to your brief and
28 the way you submit your problem to the Commission,
29 let us look at your recommendations. At page 5
30 we find that first recommendation of yours, that



1 top priority be given to Canadian shipyards, Canadian
2 manufactured products, and Canadian supplies. I
3 wonder how priority can be given to Canadian
4 manufactured products? Could you explain that a
5 bit more in detail. You mentioned, of course, in
6 your brief, that some part of the component parts
7 for ships have to be bought in the United States,
8 and do you propose any change be made in that
9 situation?

10 MR. SCRIBER: Top priority should be given
11 to the Canadian manufacturer or Canadian shipyard,
12 providing there is assistance given to that ship-
13 yard or ship company by the Canadian Government.
14 We think that is only fair.

15 MR. GERIN-LAJOIE: But at the present time
16 is there not any priority given to the Canadian
17 supplier?

18 MR. SCRIBER: Our experience would be that
19 in normal commercial work, no. In national defence
20 building, yes.

21 MR. SORENSON: The lowest bid in any of the
22 jobs involved gets the job, and on some ship-
23 building it may reach as high as 50% of the cost
24 of the ship. In one recent instance cited to me
25 by the general purchasing agent of a large ship-
26 yard, 70% of 50% was purchased from the United
27 Kingdom. On the other hand, I know another ship-
28 builder last year where 75% of the components were
29 Canadian components.

30 MR. GERIN-LAJOIE: Q. A commercial ship



1 or Navy?

2 A. A commercial ship, sir.

3 Q. Is it your opinion and do you have any
4 information that some of those component parts
5 could have been bought in Canada?

6 A. They could have been bought in Canada
7 at a slightly higher cost. Now, the Royal Canadian
8 Navy, when they initiated their large shipbuilding
9 programme here a few years ago, established a
10 policy that certain items must be manufactured in
11 Canada, and to that end they were successful in
12 persuading the authorities to set up facilities
13 to make turbines and all facilities to provide power
14 for the ships. These facilities are available in
15 Canada because of this utilization and it would be
16 a pity not to use them even at a higher cost,
17 because it would employ Canadian workmen.

18 Q. Let us say some parts are not manufac-
19 tured in Canada at present. Would you go so far as
20 to suggest that they should be manufactured in
21 Canada, just for the sake of having them Canadian
22 built?

23 A. No, sir, I wouldn't go so far as to
24 say that all components should be so manufactured,
25 because some could not be economically manufactured
26 as the volume is not large enough.

27 Q. Would it be only a question of degree,
28 that where the price is much higher than that of
29 some product manufactured outside of Canada or
30 slightly higher ---



1 MR. SORENSON: Slightly higher.

2 MR. SCRIBER: I should imagine that our
3 national defence purchasing ---

4 COMMISSIONER WICKWIRE: Just one at a time,
5 please, gentlemen.

6 MR. SORENSON: It has been a policy in Ottawa
7 that Canadian Navy buying agencies will pay a
8 slightly higher price for Canadian manufactured
9 products. I understand that that percentage is
10 somewhere below 10% as a premium which the Canadian
11 Government will pay, but in some instances of
12 highly complicated components they cannot possibly
13 remain within the 10% figure, because when you
14 consider that the United Kingdom will produce maybe
15 two or three ships in a year when we may be pro-
16 ducing one, they obviously can build all their
17 components at a considerably lower cost.

18 MR. GERIN-LAJOIE: Q. What is your argument
19 or your reason for asking that the component parts
20 be bought in Canada whenever they are made in Canada?
21 Is it only for the purpose of employing Canadian
22 labour?

23 A. Well, the ships, as we have been told
24 many times, not too high a proportion of skilled
25 labour goes into the ships themselves, but it is a far
26 higher proportion of skilled labour that goes into
27 the manufacture of the components. In other words,
28 the building of a turbine or reduction gear in a
29 ship requires high cost labour and we are not
30 fostering development of high cost labour or high



1 class labour by buying these things from outside
2 Canada.

3 Q. But why do you suggest we should foster
4 the development of such skilled labour if it is
5 not economical for Canada? Why not employ those
6 people elsewhere, in other industries?

7 A. Well, during the war years, for four
8 and a half years, we had cause at sea in those days
9 to complain of the quality of some of the parts we
10 received, because we did not have skilled labour
11 to manufacture the very component parts we required
12 in our ships at sea.

13 In other words, it constitutes a powerful
14 defence to have and be prepared to have people
15 making these things like turbines and things of
16 that nature.

17 Q. Is that because the products we get
18 elsewhere are not always in good condition or
19 because we should be able to produce them our-
20 selves?

21 A. We should be able to produce them
22 ourselves, by working, in a national emergency,
23 when we cannot rely on overseas to supply them.

24 Q. If the United States were to produce
25 them at lower cost than Canada, the distance would
26 be less from the supplier?

27 A. Well, in a national emergency I think
28 the United States cannot manufacture -- they are
29 so busy, obviously, for themselves.

30 Q. You refer in your brief to U.S.



1 manufacturers producing in the United States and
2 you suggest that agreements should be made with
3 them to have those parts manufactured in Canada and
4 use Canadian labour and so forth. You say that
5 negotiations should be entered into. What kind of
6 negotiations would you envisage? Do you mean on
7 the part of the Canadian Government?

8 MR. SCRIBER: No, it could become a
9 straight commercial negotiation. The Canadian
10 Government has indicated a preference for United
11 States design, as it has in the past, to be
12 manufactured in Canada. The approach has been on
13 a purely commercial basis, on which the United
14 States designer or manufacturer makes arrangements
15 with the Canadian manufacturer, either on a royalty
16 fee or sub-contract, to manufacture his products
17 for him in Canada, in which case the United States
18 manufacturer supplies his design drawings, his
19 know-how, and his technical assistance.

20 The thing to watch in the situation, of
21 course, is the cost analysis, because if it comes
22 up that the Canadian built price is far in excess
23 of the United States built price, you are off the
24 rails somewhere. Our actual experience has been
25 that, cost-wise, we come out at some slight saving
26 over material built in Canada.

27 MR. GERIN-LAJOIE: Q. And did you say some
28 negotiations had been initiated by private
29 industries or by the Canadian Government?

30 A. The request has come from the Canadian

1. The first of these is

the fact that the

the report has come from the Canadian

the report has come from the Canadian

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Government.

1
2 Q. But the negotiations were carried out
3 with private industries, private interests?

4 A. Yes, that's right. The Canadian Govern-
5 ment approved of the arrangement, inasmuch as they
6 thought of the Canadian manufacturer as being a
7 reliable manufacturer, and that is the purchasing
8 source. The Canadian Government approved of the
9 transaction only when faced with the ultimate price
10 of the Canadian manufacturer, on how relatively
11 close or equal to or better than the United States
12 it might be.

13 Q. I wish to consider the basis of this
14 suggestion, and I read again from your brief:

15 "It is better to pay \$100 in Canada

16 "for Canadian services than \$75 elsewhere

17 "when it remains totally out of the

18 "country."

19 That does not seem to be a defence argument. It
20 seems to be only for the purpose of employing
21 Canadian labour that you mention that.

22 A. After some of these briefs were sub-
23 mitted, after hearing some of these briefs, I feel
24 that that statement might be better left out of
25 the brief. The idea behind that was simply this,
26 that if goods were produced in a foreign country,
27 the money is paid to the foreign country. If goods
28 are produced at a Canadian source, the money
29 remains in Canada and is used by Canadian companies
30 for their activity, their spending for tax pur-



1 poses in Canada and therefore it remains in cir-
2 culation.

3 Q. I quite appreciate that, but I wonder
4 what is wrong in paying \$75 to a United States
5 manufacturer for something instead of paying \$100
6 in Canada. Perhaps you can help me to understand
7 this.

8 A. Well, that is what I said.

9 MR. SORENSON: Well, could that not apply in
10 everything we buy? If we took that reasoning or
11 that argument, we would never buy anything made in
12 Canada, because we could buy cheaper elsewhere.

13 MR. GERIN-LAJOIE: Well, possibly, but if
14 you had made a mistake once or twice or three times,
15 that is not a reason to repeat it. That is why I
16 am asking if you have an argument to put forward.
17 Have you any argument to put forward, without saying,
18 "We have done it in the past"?

19 A. Well, certainly, if it is the taxpayers'
20 dollars, then by all means it should be spent in
21 Canada.

22 Q. Why should it be spent in Canada? If
23 it is the taxpayers' dollars, do you not think it
24 is better for Canadian taxpayers to pay only \$75
25 instead of \$100 for the same goods?

26 A. Not necessarily, because that money
27 circulates again. For better or worse, our
28 Government seems to spend our money better than
29 we can.

30 COMMISSIONER WICKWIRE: Q. Can we consume



1 everything that we produce in Canada?

2 A. In raw materials, sir, no.

3 Q. Can we eat all the wheat we grow in
4 Canada?

5 A. No, sir.

6 Q. Well, we sell it, but somebody has to
7 have some dollars to purchase it.

8 MR. GERIN-LAJOIE: Would I be right in stat-
9 ing the basis of your suggestion here is first,
10 defence, and secondly, just protection, or would
11 that be an unfair way of putting your argument?

12 MR. SCRIBER: Defence, definitely.

13 MR. SORENSON: Defence.

14 MR. GERIN-LAJOIE: And protection?

15 MR. SCRIBER: I think that is a little strong.

16 MR. GERIN-LAJOIE: I am just trying to under-
17 stand exactly what you have in mind. I am not
18 trying to embarrass you in any way.

19 MR. SORENSON: In every ship you could spend
20 a very large amount of money and unless some of
21 this money were remaining in or channeled into,
22 as I stated before, some skilled labour, there
23 would be nothing else but coal mines and wheat
24 farms in this country. We would have to encourage
25 this skilled labour and technical skills which
26 are required to make such things as gyro compasses
27 and things like that. We would not normally
28 build those competitively with any one else, we
29 could not do it, but if we took the line of
30 reasoning that we would not do it, because it



1 could be bought cheaper elsewhere or to foster trade,
2 we certainly are all for fostering trade, ourselves,
3 but a happy balance has to exist somewhere, and
4 fortunately we are not the ones -- we are very
5 happy in the hands of our very able Government.

6 MR. GERIN-LAJOIE: Thank you, Mr. Chairman.

7 THE CHAIRMAN: Thank you very much,
8 gentlemen.

9 Mr. Mundell?

10 MR. MUNDELL: The next brief, Mr. Chairman,
11 is to be presented on behalf of the Shipbuilding
12 Conference of the United Kingdom. It is B.25 and
13 Mr. S.G. Dixon, Q.C., is appearing as counsel for
14 the Shipbuilding Conference.

15 SUBMISSION OF SHIPBUILDING CONFERENCE OF
16 THE UNITED KINGDOM

17
18 MR. DIXON: Mr. Chairman and members of the
19 Commission, I will take comparatively little of the
20 Commission's time. As my friend mentioned, the
21 brief is No. 25 in the bound volume, but in the
22 bound volume there has not been reproduced two
23 schedules to the brief. I think the Commission
24 has ample copies and, if they have not, I can
25 supply them by the morning. I will simply
26 restrict my remarks to trying to emphasize a few
27 of the things that are contained in the brief.

28 THE CHAIRMAN: Before we proceed, Mr.
29 Dixon: have those been marked as an exhibit yet?

30 MR. MUNDELL: I think they were attached



1 to the original, Mr. Chairman, so we have 25 copies
2 on file.

3 MR. DIXON: I can give you some more.

4 THE CHAIRMAN: Oh, yes, they were too thick
5 to go through the stencil.

6 MR. DIXON: Yes, and they were a photostated
7 original, sir, too, and we had difficulty in that
8 respect.

9 In the brief which I submitted on behalf of
10 the Shipping Conference of the United Kingdom, I
11 think we were able to be completely frank as to our
12 interest in the meditations and deliberations of
13 this Commission. We come out very plainly and say
14 that we hope this Commission will recommend the
15 maintenance of the status quo, the reason being
16 very obvious, that if another decision was arrived
17 at, my clients would lose some very good and some
18 almost traditional customers.

19 In this first schedule to which I have
20 referred there are listed, with names and tonnage,
21 and the owners, 186 ships that the Shipping Con-
22 ference built for the Canadian coasting trade
23 between 1922 and 1955; and then the second schedule,
24 which is shorter, lists six ships which are now
25 being built in England for the Canadian coastal
26 trade.

27 That, I think, makes it most abundantly
28 clear as to why we are interested.

29 I think the mention of those ships that
30 have been built and are being built brings me to



1 what is the real justification, from my point of
2 view, in being here at all. Mr. Commissioner Wick-
3 wire took the words out of my mouth while talking
4 to the last witness, when he said, "Can we consume
5 all our wheat?", and stating that if we cannot
6 consume it somebody has got to have Canadian
7 dollars to buy it. Now, the balance of figures
8 between Britain and Canada on foreign trade are
9 distinctly interesting and distinctly, I think, in
10 point. In 1954, which is the last figure we have
11 available, Canada exported to the United Kingdom
12 \$652 million worth. The United Kingdom exported
13 to Canada \$392 million worth, leaving an adverse
14 balance against the United Kingdom of \$260 million.

15 THE CHAIRMAN: What are those figures, again?

16 MR. DIXON: They are 652 million exported
17 to the United Kingdom by Canada.

18 COMMISSIONER BELANGER: Does that include
19 services?

20 MR. DIXON: As far as I know, it does not,
21 sir. I believe those are actual commodities.
22 Then there was \$392 million which the United
23 Kingdom exported to Canada, and I think the deficit
24 there against the United Kingdom is 260 million.

25 Now, these 186 ships in the past 33 years
26 have contributed a lot of Canadian dollars to
27 enable Britain to buy our exports. I may be going
28 a little beyond my province when I talk about the
29 earnings of British operated ships, but I think
30 I am right in this statement, that the General



1 Council of British shipping has made available to
2 this Commission a statement which shows that the
3 gross earnings of British ships in the export trade
4 in 1952 amounted to about \$4,269,000.

5 Now, that was 1952. The figure probably is
6 a little higher now and will certainly grow, I
7 believe, in the future, when the Seaway is
8 completed.

9 Our Canadian Government, and the members of
10 our Canadian Government, have been going the length
11 and breadth of the country, talking about improving
12 our export situation. Now, there is no room for
13 doubt that if Canadian coastal trade is shut off
14 to British ships, that there is one definite loss,
15 in my way of thinking, the definite loss to Canada
16 in that Britain loses Canadian dollars and our
17 trade suffers accordingly.

18 The defence motive has been urged in favour
19 of restricting our coastal trade to Canadian built
20 and registered vessels. Now, it would be most
21 unwise and almost rude, I think, for a number of
22 British shipbuilders to come before this Commission
23 and say, "You should do this and that about defence."

24 That is clearly the function of the Govern-
25 ment, and my clients emphasize only that they are
26 taking no stand whatever on the subject. Clearly,
27 the Government can do what it wants to about that;
28 first, decide that it is necessary to maintain the
29 shipbuilding industry in this country, and the
30 only suggestion I have there is that I believe there



1 is a cheaper way of maintaining that shipbuilding
2 than removing competition in Canadian coastal
3 trade. It is obviously not possible to put that
4 into figures, but anything that is spread over a
5 great many of the commodities that make up our way
6 of life here is bound to be more expensive than
7 a direct subsidy or other payment.

8 Now, that is all I am going to say, Mr.
9 Chairman, except that I am very ready to try to
10 answer some questions, but I hope my friend here
11 will realize that I am not a shipbuilder, that I
12 have a certain amount of information in this file
13 and that I will give him anything I can.

14 MR. MUNDELL: Q. There are one or two
15 questions I think would be helpful, if we could get
16 some information on them. On the question of the
17 dollar argument, have your clients or have you any
18 general figures as to what the dollar earnings for
19 shipbuilding have been over the last few years?

20 A. No.

21 Q. I suppose we could get some kind of an
22 idea from the tables filed.

23 A. Well, I think you could take any
24 number of the ships which have been built in the
25 last few years and find out how much was paid for
26 them and work back from that to a percentage figure.
27 I cannot do it for you, though.

28 Q. I notice your table No. 1 is a table
29 of non-ocean-going vessels?

30 A. Yes.



1 Q. And Table No. 2 is a table of vessels
2 now under construction, but would it be possible
3 for your clients to furnish a list of all ships
4 built with Canadian dollars? In other words, would
5 it be possible to fill in the ocean-going gap?

6 A. I think so. I am not sure -- I cannot
7 find that right in here.

8 Q. Or perhaps we might have it for the
9 last ten years, say?

10 A. Yes, I can get that for you.

11 Q. Would it be an extensive list, do you
12 know?

13 A. Oh, yes. In ten years it would be --
14 well, it would not be as long as this list, because
15 this represents 33 years.

16 Q. I think it would be helpful if we
17 could have that.

18 A. I can get it for you, but I would have
19 to get it from England.

20 Q. And that would give us the total
21 number of ships built in the United Kingdom for
22 Canadian purchasers. Do you think it would be
23 possible to translate that into terms of dollar
24 earning?

25 A. Well, actually, this Shipbuilding
26 Conference, and the membership is 61 shipbuilders
27 in the United Kingdom, do not maintain that sort
28 of information. I am afraid it would be a case
29 of them getting it from their constituent
30 members. Maybe they can get it; I don't know.



1 Q. I don't know whether I should press for
2 the information this way, Mr. Chairman, or whether
3 we should ---

4 A. Oh, I have no objection to trying to
5 get it.

6 Q. I mean the dollar earnings as well.

7 COMMISSIONER BELANGER: The sales price.

8 THE CHAIRMAN: You mean sales price.

9 MR. MUNDELL: Q. If we had a list of the
10 Canadian purchasers, we could get it the other way
11 around.

12 A. Well, you have a list of Canadian
13 purchasers.

14 Q. Yes, but if we had it on the balance
15 of the ships; that is what I mean.

16 A. Oh, yes. Well, I can try to get it.

17 Q. Now, would it be a fair thing to say
18 of your clients, Mr. Dixon, that they are at the
19 present time a very highly protected group in the
20 Canadian market, in the sense that we have evidence
21 of the very high cost of Canadian competitors, and,
22 on the other hand, all other competitors are
23 excluded?

24 A. Yes, I would not take too much exception
25 to that.

26 Q. So their position really is to preserve
27 a protection which they have now enjoyed, which
28 they now enjoy?

29 A. Yes, it is to preserve the 1931
30 agreement.



1 Q. Well, I was coming to that. I was
2 going to say that it has been said to this
3 Commission in various places that this is a vestige
4 of colonization which grew out of the transitional
5 period or prior to the Statute of Westminster
6 and that there is no substantial reason for now
7 maintaining it. It applies protection to your
8 client, but as a matter of policy should it be
9 continued now?

10 A. Well, to answer that, speaking per-
11 sonally and not as an advocate, I would say there is
12 good reason for maintaining anything that kept
13 British shipping ahead of foreign shipping, but I
14 realize that is perhaps not a saving thing to say
15 here.

16 Q. Is that a Canadian concern? What is
17 the interest of Canada in that?

18 A. Well, I can only answer one thing to
19 that, and that is that what interests Great Britain
20 interests me as a Canadian-born.

21 Q. If the Commission came to the con-
22 clusion that the argument put forward that
23 Canadian shipbuilding is in such a position as it
24 cannot compete and that some measure of protection
25 was necessary which would cost your client, say,
26 the market, would the fact of the old agreement
27 in 1932 ---

28 A. Oh, no, I don't think one can argue
29 that that prevents anything. As you know, the
30 agreement itself contains a provision for



1 amendment and cancellation.

2 Q. What would your clients say as to
3 removal of their protection and throwing it open
4 to the world, Japanese and German?

5 A. Well, that is the condition they are
6 working under in their own market.

7 Q. There is only one other matter I want
8 to raise. I have referred to it, and that is the
9 fact that it is recognized by your client that the
10 agreement of 1931 or 1932 can be provided, in
11 itself ---

12 A. Oh, yes, it is right in my brief, I
13 think.

14 MR. MUNDELL: That is all I have.

15 COMMISSIONER WICKWIRE: Q. I understood you
16 to say, Mr. Dixon, that there is a cheaper way of
17 maintaining Canadian shipbuilding than by restric-
18 tions, and that is by subsidy?

19 A. Yes.

20 Q. If the Government provided a subsidy
21 that would put up the difference between the Canadian
22 costs and the U.K. costs, would not that necessarily
23 limit the number of ships for Canadian owners then
24 being built?

25 A. Oh, I think so. It might give us a
26 little better chance. It would certainly tend to
27 limit the number we would build in the future.

28 COMMISSIONER WICKWIRE: Thank you.

29 MR. GERITY: Q. Mr. Dixon, I wonder if I
30 might ask you a few questions. You know that my



1 interest lies in the Great Lakes. Are you aware of
2 the published record of the Merchant Shipping Con-
3 ference of 1929 and the reference made to Canada
4 reserving the right as to the Great Lakes?

5 A. Yes.

6 Q. Have your clients ever enjoyed any
7 shipping in the Great Lakes, other than small
8 vessels?

9 A. Now, I can't answer that; but you can
10 probably answer it better than I can.

11 Q. Now, you would agree that anything
12 drawing over 14 feet could not get in there?

13 THE CHAIRMAN: I do not hear you, sir.

14 MR. DIXON: Drawing over 14 feet cannot get
15 into the Great Lakes.

16 THE CHAIRMAN: Oh, well.

17 MR. DIXON: We have built a lot of ships
18 that do not draw over 14 feet.

19 MR. GERITY: Q. Well, what I am trying to
20 say, Mr. Dixon, is that the British Conference
21 could not have supplied the large vessels for the
22 Great Lakes?

23 A. Oh, no, no.

24 Q. So in other words, they have not lost
25 anything yet?

26 A. No, haven't lost anything yet.

27 Q. And I think you will agree with me
28 that speaking of an adverse trade balance ---

29 THE CHAIRMAN: Well, I do not know whether
30 I will agree with you, because at the present



1 time British firms can supply 14 foot ships.

2 MR. DIXON: Oh, yes, they do that, but as I
3 understood my friend, the question was could we
4 supply and deliver the big ships.

5 THE CHAIRMAN: Well, not without taking them
6 up through the Mississippi, no.

7 MR. DIXON: And I guess that is not practical.

8 MR. GERITY: Q. Recognizing the understand-
9 able interest of your client, I would like to know
10 why they come forward to make a recommendation about
11 the Canadian ship owner. What difference should it
12 make, whether he has a restriction, in the trade, if
13 he were free to buy his ship in the United Kingdom,
14 for instance?

15 A. Well, I would certainly settle with the
16 Commission on leaving the Canadian ship operator
17 free to buy.

18 Q. There was one clause in your brief
19 which I have referred to twice this morning in this
20 Commission, Mr. Dixon, and I would like, if possible,
21 to have you tell me whether it was the result of
22 technical information supplied that this paragraph
23 was provided, and this is at the foot of page 4 in
24 the bound volume. Perhaps you might look at my
25 copy, commencing with the phrase, "It would appear
26 that with the completion of the deep waterway there
27 will be an important change in the type of ship
28 which will be used."

29 A. What was your question again on that?

30 Q. Is this paragraph or clause at the



1 top of the next page the result of a considered
2 opinion of your clients?

3 A. On some of the expert advisors. Don't
4 try to pin me down as to who they were, because I
5 don't know.

6 Q. I was wondering whether it was a happy
7 phrase to use or whether it was the result of ---

8 A. Oh, no, I was instructed.

9 Q. And you quoted a figure, Mr. Dixon,
10 of earnings, of some \$4,269,000, and I would like
11 to know the figure, and I wonder if you have any
12 information on it, of \$4,174,665.49. That is the
13 premium income and insurance on the Great Lakes
14 fleet. Would you know whether any or a large or
15 small part of that sum went to the United Kingdom?

16 A. No. Just to keep this straight, I
17 would like to -- this is a reply to questions
18 submitted by this Royal Commission to the General
19 Council of British Shipping, and they were good
20 enough to let me have a copy, and the question is
21 the volume of dollar earnings accruing and likely
22 to accrue, and then they go on with the answer.
23 The latest available information about dollar
24 earnings in Canadian coastal trade is that which
25 obtained in 1952. This shows that in that year
26 13 United Kingdom companies earned \$4,269,870
27 gross earnings in coast trade, and that, I believe,
28 is in the possession of the Commission.

29 THE CHAIRMAN: Q. Yes, but Mr. Gerity's
30 point is that if U.K. operated shipping was



1 successful in eliminating Canadian ship operating,
2 then the same amount of dollar earnings in the form
3 of premiums on insurance paid now by Canadian
4 operators would disappear.

5 A. Oh, yes, there is a lot ---

6 Q. On the other hand, would you say the
7 increase in the number of U.K. operators would
8 compensate for the disappearance of Canadians?

9 A. Oh, yes, there is no doubt a lot of
10 the insurance premiums go to England in one form
11 and another.

12 MR. GERITY: Q. Is it not also so, in my
13 memory and also in yours, that there has never been
14 a balance between the United Kingdom and Canada
15 that was not adverse to the United Kingdom?

16 A. I think that is probably correct.

17 MR. GERITY: Thank you.

18 MR. MUNDELL: Thank you very much.

19 That concludes to-day's list, Mr. Chairman.

20 THE CHAIRMAN: 10.00 o'clock to-morrow
21 morning.

22 ---Whereupon the hearing adjourned at 4.38 p.m.
23 until 10.00 a.m., October 5, 1955.

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WEDNESDAY, OCTOBER 5, 1955

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---On resuming at 10.00 a.m.

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: There has been a re-arrangement of the list for to-day. I thought I should possibly give it to you before we start. We will start with Crane Limited and then Darling Brothers and then A.E. Watts Limited, and then Guy Tombs Limited and Canadian Marconi Company, and then Canadian Fairbanks Morse. That is subject to your direction.

THE CHAIRMAN: You have left Peacock Brothers out.

MR. MUNDELL: They are not appearing to-day, nor are Canadian Car & Foundry Limited. With your permission and subject to your direction I thought we would start with Crane Limited.

THE CHAIRMAN: Yes, all right.

MR. MUNDELL: The Reporters have suggested it would be advantageous to have the person making the representations in the witness box as the voice does not travel back and forth. That way it would put the witness slightly ahead of them.

THE CHAIRMAN: The brief number is ---

MR. MUNDELL: The brief number is B.74, and I believe Mr. John Missler ---

MR. J. COWAN: Cowan.

MR. MUNDELL: L. Cowan appearing on behalf of Crane Limited.



1 THE CHAIRMAN: Yes, Mr. Cowan.

2 SUBMISSION OF CRANE LIMITED, MONTREAL

3
4 MR. MUNDELL: Possibly it would be helpful if
5 you gave your full name and position in connection
6 with the company.

7 MR. COWAN: My name is Lucien Cowan, executive
8 assistant.

9 If I may be permitted, I will read verbatim
10 the brief which we forwarded to the Commission on
11 June 27th. This is the submission of Crane Limited,
12 Montreal, dated June 27th, 1955, and this is to the
13 Royal Commission on Coasting Trade of Canada.

14 The Canadian Shipbuilding industry constitutes
15 an important market outlet for the products manufac-
16 tured and sold by this company. The total of Valves,
17 Fittings, Plumbing and Heating materials supplied
18 by Crane Limited to Canadian shipbuilders has, in
19 the past, signified a service of considerable
20 proportions to that industry in Canada.

21 The manufacture of such products in our
22 factories results in a large accumulation of man-
23 hours of labour, therefore, as a company expressly
24 interested in the welfare and preservation of the
25 shipbuilding industry we enjoin the Government of
26 Canada to take such action as will ensure the
27 maintenance of an active shipbuilding and ship-
28 repairing industry in Canada.

29 We hope the following paragraphs will serve
30 to illustrate the significance of the shipbuilding



industry to this company, both as an important generator of business and of employment within its participating factories.

FACTORIES:

The company operates plants in Montreal, St. Johns, Que., Quebec City, Port Hope, Ont., Calgary and Vancouver. Classes of products supplied to shipbuilders through these plants are briefly summarized as follows:-

<u>Products Supplied to Shipbuilders</u>	<u>Factory Location</u>
Valves and Pipe Fittings	Montreal and Calgary
Plumbing Fixtures	St. Johns, Que., Quebec City, Port Hope and Vancouver.
Plumbing Brass Trim	Montreal
Heating Materials	Montreal

Shipbuilding Firms Supplied:

The following is a list of the various shipbuilding firms throughout Canada to whom this company sells materials produced at the aforementioned factories:

HALIFAX REGION

Ferguson Industries Ltd.,
Halifax Shipyards Limited
Industrial Shipping Company
St. John Drydock & Shipbuilding Co.
Sydney Engineering & Drydock Co.

QUEBEC REGION

Geo. T. Davie & Sons
Davie Shipbuilding Co. Ltd.



1 Les Chantiers Maritimes St. Laurent

2 MONTREAL REGION

3 Canadian Vickers Limited

4 Davie Shipbuilding Co. Ltd.

5 Marine Industries Limited

6 ONTARIO REGION

7 Collingwood Shipyards

8 Midland Shipyards

9 Port Arthur Shipbuilding Co.

10 VANCOUVER REGION

11 Burrard Drydock Company

12 Yarrow Limited

13 Victoria Machinery Depot

14 Value of Materials Supplied:

15 During the five-year period 1950 through 1954,
16 Crane Limited supplied to these shipbuilders
17 products made in its Canadian plants having a value
18 of \$1,103,716. In terms of employment, this volume
19 of business provided 212,000 man-hours of factory
20 labour. In addition, a proportionate number of
21 salaried hours were provided for office personnel
22 connected with the handling of this business.

23 As respects the value of work provided by
24 the shipbuilding industry in Canada, these figures
25 indicate the position of only one of the manufac-
26 turing suppliers within the Valve and Fitting and
27 Plumbing and Heating materials group. If to this
28 be added the evidence of the other manufacturers
29 in this industry group, a fuller perspective of
30 the national impetus of an active and



1 vigorous shipbuilding industry in Canada can be
2 readily discerned.

3 Apart from the contribution of the ship-
4 building industry to the national economy and in
5 providing its large share of employment opportunities,
6 an equally important element lies in the need for
7 maintaining this industry permanently efficient as
8 an indispensable measure of national security.

9 MR. MUNDELL: Q. Mr. Cowan, have you any
10 further comments you would like to make in addition
11 to the brief?

12 A. No, I haven't any further comments.

13 Q. I wonder if you could answer a few
14 questions just for the information of the Commission.
15 The first thing is this, are you a Canadian
16 company?

17 A. We are a Canadian company affiliated
18 to an American company.

19 Q. You are a subsidiary of an American
20 company?

21 A. That is right.

22 Q. Are your operations confined to marine
23 supplies?

24 A. No.

25 Q. Can you give us some idea of the pro-
26 portion of your business that consists in supplying
27 marine supplies and others?

28 A. You mean the actual percentage?

29 Q. If you can, yes.

30 A. I might be able to give you that.



1 Q. Possibly another way to get at it, can
2 you give us your total volume of business through
3 the period 1950 to 1954?

4 A. I would say it would be -- of our total
5 business, you mean?

6 Q. Yes.

7 A. Of course, about one-tenth of 1%, I
8 would say.

9 Q. Of the Canadian company?

10 A. Yes, of all the business. That covers
11 plumbing, heating materials, valves and fittings
12 and pipe, re-sold materials.

13 Q. Possibly I should have asked that
14 earlier. What is the general business of the
15 company?

16 A. The general business of the company is
17 the manufacture of valves and fittings. We
18 manufacture plumbing materials of three different
19 types of product. That is, chinaware, enamelled
20 cast iron and steel. We also manufacture heating
21 materials. That is pumps and radiation cast iron,
22 steel pipe and fittings, and we re-sell pipe and
23 a certain number of job products.

24 Q. The marine business, you said, is one-
25 tenth of 1%?

26 A. I would think that would be about the
27 percentage of the total of all business. That is
28 over five years.

29 Q. That is in the period of five years?

30 A. Yes.



1 Q. I would suppose that same proportion
2 would apply to the payroll in dollars?

3 A. I don't know. I wouldn't like to give
4 you a quick answer on that.

5 Q. I mean, if you take the total volume.
6 You have employees who are specialized in ---

7 A. No, we have no employees -- do you
8 mean employees who are specialists on ream work?

9 Q. Yes.

10 A. Not necessarily.

11 Q. Have you employees that are ---

12 A. No.

13 THE CHAIRMAN; Q. That implies your total
14 business in those five years was a billion dollars,
15 Mr. Cowan. Is that about right?

16 A. No, not quite that much.

17 Q. Well, one-tenth of 1% is a thousand
18 million, and a thousand million would be a billion?

19 A. Our figure here was \$1,100,000.

20 MR. MUNDELL; Q. That would be \$2,000,000
21 a year?

22 A. No, I may have made a mistake in the
23 decimal point here. Just a minute. I figured on
24 \$225,000 for five years. That would be roughly the
25 total business, so \$1,100,000 is about 1%,
26 is it not, one-tenth of 1%.

27 Q. Half of 1%. So it is \$1,103,716 over
28 25 million?

29 A. Yes.

30 Q. You recommend in your brief that the



shipbuilding industry should be maintained, as I understand it, for two reasons. One, because of the importance it has in other industries in Canada, such as yours. The other reason is national security, is that correct?

A. That is only a minor reason. It is not considered as important as the first, of course. That is, in our brief we have put that in as a secondary consideration.

Q. Your primary ground is the importance it has to other industries?

A. That is right.

Q. You are putting national security secondary in this submission. If this business that you now obtain from the shipbuilding industry were entirely to disappear, it would not seriously injure your business?

A. No, it would not.

Q. Have you any suggestion as to how the protection should be afforded to the shipbuilding industry?

A. No, we have no recommendation to make in regard to a specific action.

Q. The reason I was raising that is that it has been put to the Commission that restriction of the coasting trade to Canadian built and registered vessels might seriously damage other interests, for example, the forestry interests, the grain grower and so on. I wondered if you had given any consideration to the measure to be



taken?

1 A. No, as stated in our brief, we are a
2 secondary supplier to the shipbuilding industry and
3 that is as far as we think we can go. We have no
4 specific recommendation to make. We do feel that --
5 we advocate proper action which is designed to
6 maintain the shipbuilding and ship repairing industry
7 in a healthy condition which in turn will provide us
8 with secondary business and keep our own employment
9 up.

10 Q. You have no specific measure to recommend?

11 A. None at all.

12 MR. MUNDELL: I think that is all I have.

13 THE CHAIRMAN: Thank you very much, Mr. Cowan.

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17 MR. GERIN-LAJOIE: The next brief, Mr. Chairman,
18 will be submitted by Darling Brothers Limited. John
19 Missler appearing.

20 SUBMISSION OF DARLING BROTHERS LIMITED

21
22 MR. GERIN-LAJOIE: Q. Would you mention your
23 position in the company, please?

24 MR. MISSLER: I am an engineer with Darling
25 Brothers in charge of marine auxiliary equipment.
26 I would like to read the brief that was submitted
27 by Mr. Darling, our president, on April 18th, 1955.

28 MR. GERIN-LAJOIE: Mr. Chairman, the number
29 of the brief is 5.

30 THE CHAIRMAN: Thank you.



1 MR. MISSLER: It has come to our attention
2 that you are inviting any interested parties to
3 make known their views on the coasting trade, and
4 we are pleased to make the following submissions.

5 There is every evidence that shipbuilding
6 will disappear from Canada unless part XIII of the
7 Canada Shipping Act is amended so that new ships
8 coming into the Canadian register must be built in
9 this country. If this amendment is adopted, then
10 it should also provide that all material and com-
11 ponents for new ships must be purchased in Canada.

12 As manufacturers of marine components, such
13 as Pumps and Heat Exchangers, we depend on this
14 business for part of our factory production. Under
15 present conditions the Canadian shipbuilders
16 purchased many of the components in Europe because
17 prices are so much cheaper. The price differential
18 is due to the fact that our wages for mechanics in
19 Canada are approximately three times as much as they
20 are in these foreign countries.

21 During both World War I and World War II, we
22 produced a large number of components for the navy,
23 as well as for cargo vessels, and we have always
24 maintained men on our staff who are capable of
25 handling this type of specialized work. If ship-
26 building in Canada is to disappear, then it will
27 be impractical for us to maintain a group of people
28 qualified to deal with marine work. This could be
29 of some importance to the country should another
30 emergency occur in the future requiring the



1 construction of naval and/or cargo vessels.

2 If the coasting laws are amended in the way
3 that has been suggested, the shipbuilders of
4 Canada should be busy with the coming St. Lawrence
5 Seaway, and if they then buy their materials and
6 components in Canada, it will provide business for
7 us and a corresponding increase in the number of
8 men employed in our plant.

9 MR. GERIN-LAJOIE: Q. Mr. Missler, will
10 you explain what are the operations -- first of
11 all, is your company a Canadian incorporated
12 company?

13 A. Yes, we are a completely privately
14 owned Canadian corporation.

15 Q. Under Federal or Provincial legislation,
16 do you know?

17 A. I don't know. I think it is Federal
18 because we have offices all through -- in every
19 Province of Canada.

20 Q. Your head office is in Montreal?

21 A. Yes.

22 Q. Can you tell us if your company is
23 independent of any other company in the United
24 States?

25 A. Yes, we are completely independent.

26 Q. Would you describe for the Commission
27 the operations roughly of your company?

28 A. We manufacture chiefly pumps, heat
29 exchangers, heaters and coolers. We manufacture
30 all types of steam specialties such as reducing



1 valves, valves, traps, joints and that type of
2 material. We have another branch where we manufacture
3 freight and passenger elevators, and besides that
4 we have -- well, we have a large number of smaller
5 accessories such as safety treads and that type of
6 equipment. It is chiefly pumps, heating equipment
7 and elevators.

8 Q. You are manufacturers yourselves?

9 A. We are manufacturers, yes. We have our
10 own foundry and we have our own manufacturing plant.

11 Q. Can you mention the number of employees
12 you have had in 1954, for instance?

13 A. Yes, it would be close to 400.

14 Q. Including administrative personnel?

15 A. Oh, yes, including the administrative.

16 Q. Can you mention to the Commission the
17 proportion of your total volume of business which
18 was related to the marine or shipbuilding?

19 A. Yes.

20 Q. In 1954, for instance?

21 A. Well, we will have to start back a bit
22 further. During the war years from 1942 to 1945
23 80 to 90% of our plant was directly in the manufac-
24 ture of marine equipment for the Navy. After the
25 war, I think, that is when the war years were
26 finished, this dropped to probably about 10 or 15%.
27 This was during the period when the British indus-
28 tries were on long delivery and could not supply
29 that type of material. After that it dropped
30 more yet, and in the last two years, 1952 and 1953,



1 it speeded up a little bit. I think it was probably
2 about 5% when the escort vessel programme and mine-
3 sweeper programme were initiated in Canada.

4 We can now say that it looks to us as if the
5 shipbuilding part in practice will drop to less
6 than 1%. We cannot compete with the British
7 companies and now that their deliveries are
8 reasonably good, their prices on similar equipment
9 is much lower, and of course the shipyards are
10 buying their components where they can get them
11 the cheapest. Our feeling on this thing is that
12 we think that the shipbuilding industry should be
13 maintained for security reasons, but it is equally
14 as important to have them buy components made in
15 Canada because during the last war they just could
16 not get components across the ocean and we were, as
17 I say, about 80 or 90% on that type of production.

18 We will say that if we cannot get this type
19 of order, the type of man we keep doing this type
20 of work will disappear. That is roughly our view
21 on this.

22 Q. Do you mean that the component parts
23 should always be manufactured in Canada at least for
24 security reasons?

25 A. Well, that is the only reason, for
26 security reasons. I would say that I think that as
27 far as employment goes at the present time we are
28 not particularly worried about that. Our plant
29 is, I would say, at 100% of capacity.

30 COMMISSIONER WICKWIRE: Q. At the present



time?

1
2 A. At the present time, but during the
3 period when we were on this war work production,
4 it was very bad for the company because they lost
5 all their customers at that time. You cannot put
6 your customers in some place else and then they
7 have another source of supply and then when the
8 war is over you have to start all over again to
9 build up your domestic business.

10 MR. GERIN-LAJOIE: Q. I am afraid I did not
11 hear that. Who loses their customers, your
12 company?

13 A. Yes. They lost their domestic cus-
14 tomers because you cannot produce. We could not
15 produce for our domestic customers at all. We had
16 to drop them.

17 Q. Is this unusual in the period of war
18 time? Do you think it was an exceptional case?

19 A. No, I do not think it was exceptional.
20 I don't know, but I do not think that is a good
21 situation.

22 THE CHAIRMAN: Q. Many businesses, in fact,
23 had controllers which prevented the company
24 providing for civilian demands?

25 A. I realize that. This is the type
26 of business. If this was an auxiliary business
27 you could find men, but he leaves. He goes some
28 place else. Your equipment becomes obsolete because
29 you are not keeping it up. Your drawings are out
30 of date. Your patterns are out of date. In case



1 of emergency it would be quite a job to bring that
2 equipment up to date again.

3 MR. GERIN-LAJOIE: Q. Do you suggest we
4 should manufacture everything in Canada, the
5 necessary component parts for a ship, for instance?

6 A. No, I wouldn't say that.

7 Q. So where would you draw the line,
8 because that is the impression I got from your
9 statement that everything should be manufactured
10 in Canada?

11 A. Well, I can't say where to draw the
12 line. I mean, our observations to this are general.
13 That is, we are not referring only to our own
14 type of equipment. We are referring to the equip-
15 ment that is manufactured by other people, similar
16 to our business. There are people here manufac-
17 turing engines and I think they are in much the
18 same position as we are, different types of
19 auxiliary equipment.

20 Q. You say that it should be manufactured
21 in Canada. Everything should be manufactured but
22 not at a higher cost. What would determine
23 whether they should be manufactured in Canada
24 or not? I am trying to find out what you have in
25 mind.

26 A. Well, the question of manufacturing
27 vessels in Canada is the same. The reason they
28 are not being manufactured now is because they
29 can be manufactured cheaper somewhere else. We
30 feel it is just as important to have the



1 auxiliary equipment manufactured in Canada also.

2 THE CHAIRMAN: Q. You say if a war emergency
3 prevents the importation of hulls, the same war
4 emergency would prevent the importation of equipment
5 that must go into the hulls?

6 A. That is right.

7 MR. GERIN-LAJOIE: Q. You mentioned in your
8 brief that the Canadian shipbuilders purchase many
9 of the components in Europe because the prices are
10 so much cheaper, but I suppose there is some tariff
11 or there is some import duty on those parts brought
12 from Europe?

13 A. Well, the United Kingdom import duty
14 is 10% on vessels which are built for Canada. The
15 shipyards get a 99% rebate on that import duty so
16 the import duty is practically nothing at the
17 present time.

18 Q. What about import duties on imports
19 from other countries other than the United Kingdom?

20 A. Well, they get a draw-back of about
21 99% of the import duties whether it comes from the
22 United Kingdom or from the United States where your
23 import duty is 25%. They get a drawback on that
24 as well.

25 Q. You mention in your brief:

26 "Under present conditions the Canadian ship-
27 "builders purchase many of the components
28 "in Europe because the prices are so much
29 "cheaper."



1 Is it not your experience that in times of emergency,
2 times of war, it is possible for a country like
3 Canada to develop the skilled labour which is
4 required for building of war equipment or any
5 other equipment required at the time?

6 A. Oh, I think it is. It is just a
7 matter of time. It takes a certain amount of time
8 to train that type of skilled tradesman, but ---

9 Q. You mentioned, I believe, that the
10 marine part of your work is about 1% of your
11 total business?

12 A. Yes, we feel it is now probably
13 about 1%.

14 Q. Do you consider this is approximately
15 normal or is an average for the past few years, I
16 mean since after the war years have been over?

17 A. No, as I say, it has been gradually
18 coming down. Right after the war it was fairly
19 good because the companies across could not make
20 deliveries. Their plants were not in good shape,
21 and so on.

22 Q. For the past let us say three years?

23 A. Well, yes. In 1952, '53, there was
24 a small upsurge in that type of business due to
25 that shipbuilding programme put on.

26 THE CHAIRMAN: Q. It is still going on.
27 Only one ship has been launched.

28 A. Yes, but the equipment is built.
29 The equipment for all of them as far as we are
30 concerned has been built and has been built for



1 a year.

2 Q. And delivered?

3 A. Some of it has not been delivered. Some
4 of it is still held up for motors and starters and
5 electrical equipment but it has been built. The
6 only part that has not been built is a small part
7 of it. That is still going on, but most of it
8 is built.

9 MR. GERIN-LAJOIE: That is all, Mr. Chairman.

10 THE CHAIRMAN: Thank you, sir.

11 -----

12 MR. MUNDELL: The next one is A.E. Watts
13 Limited, brief No. B.39. Mr. H.W. Wray, general
14 manager, is appearing on behalf of the company.

15
16 SUBMISSION OF A.E. WATTS LIMITED

17 ---Mr. H.W. Wray, General Manager.

18 MR. WRAY: Gentlemen, the brief we submitted
19 is as follows:

20 As a Manufacturer of specialized marine-type
21 heating equipment, our Company has participated
22 to some extent, in the growth and development of
23 the shipbuilding industry in Canada. With a good
24 part of our production being in this field, we
25 are partially dependent on the shipbuilding
26 industry in maintaining employment for our men.
27 We are only one of many allied industries who
28 find themselves in this position. We therefore
29 feel that the shipbuilding industry is a very
30 important contribution to the national economy



1 of Canada.

2 During the past decade, we have seen Canadian
3 shipbuilding reduced from a robust industry at its
4 war-time peak, to where it is now, to some extent,
5 dependent on a reduced naval and government ship-
6 building program. This has resulted in a decided
7 break in our production during the past 6 months and
8 consequently, we have found it necessary to lay
9 off skilled men to add to the Nation's unemployed.

10 We cannot foresee any improvement in this
11 situation under the existing laws which have
12 resulted in a large percentage of merchant ship-
13 building going to crowded European shipyards.

14 As manufacturers and suppliers of marine
15 equipment, we should feel extremely optimistic by
16 the advent of the St. Lawrence Seaway. However,
17 unless the Canada Shipping Act is amended restrict-
18 ing Canadian coastal trade to vessels under
19 Canadian registry only, we will find that our
20 Great Lakes shipping at present under Canadian
21 registry, will be jeopardized in that foreign
22 vessels built in Europe with European crews, will
23 be carrying goods from one Canadian port to
24 another. These vessels would, in all probability,
25 return to European shipyards for refits in the
26 Winter, furtherweakening our Canadian shipbuilding
27 industry. We are therefore, strongly in favour
28 of legislation to assist the shipbuilding industry
29 here in Canada and to protect our shipping lines
30 engaged in Canadian coastal trade from unfair



1 competition.

2 Manufacturing wages in Britain are less than
3 half of those paid to men in our Canadian shipyards
4 and our seamen are on similar scales. Industrial
5 wages make up a large proportion of the cost of
6 shipbuilding because marine equipment by its nature,
7 does not lend itself to mass production. This
8 difference in labour costs alone places the owner
9 of a British built ship in an advantageous
10 position under present laws, when operating in
11 Canadian Coastal or Inland waters. This advantage
12 is still attractive after the present 23% duty
13 is paid.

14 These British and other foreign vessels
15 provide no employment for Canadians and indeed,
16 have left many Canadian seamen on unemployed lists
17 in the past years.

18 In ending, may we respectfully request per-
19 mission to appear during the hearings of the Royal
20 Commission in the interests of amending the present
21 coastal laws.

22 MR. MUNDELL: Q. Have you anything you wish
23 to add?

24 A. I think it is pretty well covered by
25 the last speaker. We are in much the same position.
26 During war time our business was very close to
27 fully employed on shipbuilding and that gap had
28 to be filled after the war. Being a smaller
29 concern, of course, it was more difficult for us
30 to fill the gap so we still find ourselves as of



1 last year about 10 to 20% of our business in ship-
2 building.

3 Q. I am sorry. Maybe we can get this in
4 a little more logical order. You say you are
5 manufacturing special marine type heating equip-
6 ment?

7 A. That is right.

8 Q. Is that your sole product? Is that a
9 specialized heating equipment?

10 A. We manufacture domestic and commercial
11 heating equipment besides.

12 Q. Could you indicate what type of equip-
13 ment?

14 A. Yes. Boilers, oil burners, fittings,
15 and we are the representative of the C.A. Dunham
16 Company, a Toronto firm who make unit heaters,
17 radiator traps and valves, so we do provide complete
18 heating equipment service for the shipbuilding
19 industry.

20 Q. What proportion of your business pro-
21 vides specialized marine type heating equipment?

22 A. It is still -- as of last year it was
23 about 20%.

24 Q. As of last year?

25 A. Yes.

26 Q. Can you give the total sales in
27 dollars?

28 A. No, I haven't that with me, I am
29 sorry.

30 Q. Does this require that your employees



1 have any specialized skills to produce this equip-
2 ment, or do they use the same skills used in other
3 businesses?

4 A. They use the same skills. To do the
5 job quickly enough and at a price it would not be
6 possible to compete with the European yards.

7 Q. What I had in mind was, can you just
8 switch a specialized staff to your own equipment?

9 A. Except in marine fittings where actually
10 business has come to a very low ebb from 1953 on
11 and actually the machines have been probably ten
12 years, have been completely idle since then, almost
13 completely idle. We will have to find something
14 else to do with these machines. They will be sold
15 and changed to some other product.

16 Q. That would take you some time to go
17 back into production on that type of equipment?

18 A. Yes, it would be a decided break.

19 Q. I am sorry, I interrupted you. I
20 thought it would be well to get that in in that
21 order. Do you wish to go on?

22 A. Well, no. Actually up to 1953, of
23 course, that Government shipbuilding programme,
24 our marine business kept a pretty high percentage
25 of our plant capacity busy. I would say even in
26 1953 it was about 80%. In 1954 it began to slacken
27 off very drastically and it was a difficult shift
28 to make in the time we had, but it has been done
29 to a great extent and, of course, at present if
30 there are not any shipyards continue we will



1 gradually shift the whole factory, but it certainly
2 has meant quite a number of specialized men have
3 already been laid off. Some of them have been able
4 to be absorbed into other work and others have not.
5 Probably it does not amount to a great deal as
6 men go. Probably it would be a dozen to 20 men
7 that have not been able to be absorbed in it.

8 Q. You said specialized skills. I am not
9 sure I follow you. Is it a machine operation?

10 A. Yes, machine operation.

11 Q. And those machines are not any good
12 for anything else?

13 A. No, that is right.

14 Q. You find then that British competition
15 is too stiff for you, is it?

16 A. No, I think we can meet British com-
17 petition in the equipment we manufacture because
18 it has become more and more mass produced in this
19 country. It certainly is not mass produced in Europe
20 at all, not to the same extent it is here.

21 Q. By efficiency you overcome the
22 difference?

23 A. Yes, that is right.

24 Q. In the wage costs?

25 A. Yes.

26 THE CHAIRMAN: Q. Ships are being built.
27 You are getting orders?

28 A. Definitely we will compete with the
29 British on that type of equipment but not on
30 fittings. That is the part that has gone stone



1 dead right now. That is because all the yards are
2 to a great extent importing them from Europe.

3 MR. MUNDELL: Q. You say:

4 "We are therefore strongly in favour of legis-
5 "lation to assist the shipbuilding industry here
6 "in Canada and to protect our shipping lines."

7 Have you given any thought to the precise amount
8 of protection you would suggest?

9 A. Of course, our equipment goes in ships.
10 We still maintain a repair service in Montreal
11 here. We do carry out repairs to ships' heating
12 systems.

13 Q. I do not think I made myself clear.
14 What do you intend in the way of assistance?

15 A. I say, well, that the coastal trade
16 should definitely be restricted to Canadian ships.

17 Q. Built and registered, you mean, in
18 Canada?

19 A. Yes, both.

20 Q. Have you given any consideration or
21 thought in that connection to the problems that
22 arise, for example, in Newfoundland or in connec-
23 tion with the western grain or the forestry products
24 of British Columbia?

25 A. No. What I was thinking of is that
26 at the present time with no seaway, there are a
27 great number of ships which operate in the Great
28 Lakes. They do not go out of the Lakes and
29 these ships are, of course, still good for business.

30 Q. Available clients?



1 A. That is right, but as soon as they are
2 able to get down the Seaway I think they will be
3 both built in Europe and go to Europe for any
4 repairs.

5 Q. So you feel it should be restricted.
6 The coasting trade should be restricted to Canadian
7 vessels?

8 A. At least inasmuch as trade from one
9 port to another in Canada is concerned.

10 Q. Do you put that chiefly on the ground
11 that it gives you business and creates employment,
12 or national security, or what basis?

13 A. I think strictly on the ground it gives
14 us business. After all, if we have to shift the
15 factory, it causes some pain to shift from one type
16 of business to another. Undoubtedly we will do it
17 if we are still in existence and we can shift back
18 again if necessary, so from a national security
19 point of view of our particular product I think that
20 we can easily make the shift back again provided
21 we are still in business. It all boils down to the
22 fact what is good for business is good for us if
23 we stay in business, we will be there.

24 Q. You are just saying because it is good
25 for your business and it creates employment, and
26 that is your problem?

27 A. That is right.

28 MR. MUNDELL: I think that is all I have.

29 COMMISSIONER WICKWIRE: Q. When did your
30 company come into existence?



1 A. I don't know the date of its charter
2 but on a small scale we have been manufacturing
3 this equipment for about 25 years.

4 Q. What did you do before the war? What
5 work did your company do before the war?

6 A. Domestic and commercial oil burner
7 work.

8 Q. The same thing as now?

9 A. Oh, yes, but at that time it wasn't
10 the same industry as it is to-day.

11 MR. SIMARD: I am Arthur Simard, Marine
12 Industries Limited, Sorel. Does your equipment
13 for ships work on the same current as your
14 commercial equipment?

15 A. No, direct current.

16 Q. Do you have to meet ship requirements
17 or is it that the ship has to fit itself to your
18 equipment and can you take same from your stock or
19 do you have to make equipment to ships' specifica-
20 tions?

21 A. It must be to marine specifications,
22 Lloyd's, and the electrical codes that are
23 accepted.

24 Q. You have to make equipment that needs
25 to pass all the tests, and it has to be made to
26 Lloyd's requirements, which requirements are
27 sometimes very stiff?

28 A. They are very tight. It becomes very
29 often a custom-built article to meet their
30 requirements. It certainly is not production



1 line as such; that is large mass production. Of
2 course, being a small company, we find ourselves
3 very adaptable to that sort of work.

4 Q. So every time there is a ship to be
5 built and you receive an enquiry, do you receive
6 a set of plans and very detailed specifications
7 which you have to go through to make the equipment,
8 to make it custom-built? That is the word you
9 used, "custom-built"?

10 A. That's true. Actually, that would be
11 the worst difficulty. If the shipbuilding industry
12 should die and we lost the people who are able
13 to interpret those specifications, and then had
14 to come back again, it would take a fair amount
15 of time. So, if you have the time to do it, it
16 would be possible, but if the same people went
17 around it wouldn't be possible, probably.

18 Q. And you have to have a special type
19 of person to go and make the installation of that
20 equipment on ships? They are not the type of men
21 that can go and make a commercial installation?

22 A. That's right.

23 COMMISSIONER WICKWIRE: Q. Mr. Wray, you
24 previously said you could meet U.K. competition
25 by mass production when it came to components
26 for ships. Now, you say it would be the same as
27 custom-built articles?

28 A. Yes. What I meant by meeting U.K.
29 competition by mass production was that they must
30 meet the same specifications and to some extent



1 the equipment we supply is mass produced and there-
2 fore we have an advantage in that regard.

3 MR. WICKWIRE: Thank you.

4 A. That applies in some cases and in
5 some cases it does not. In some cases where the
6 current is A.C. -- Mr. Simard's first question was
7 that we had to meet special current requirements --
8 if it is A.C. we can supply a certain amount of
9 mass production equipment with minor modifications.

10 MR. MUNDELL: Q. Is yours a Canadian
11 company?

12 A. Yes, completely. At Montreal.

13 Q. Federal or Provincial charter?

14 A. Federal, I believe.

15 Q. Wholly owned by Canadians?

16 A. Yes, that's right.

17 Q. Could you give the Commission some
18 idea of the total volume of business in one year --
19 say last year?

20 A. Last year was a pretty poor year.

21 Q. That was the tailing off of the
22 marine ---

23 A. Yes.

24 Q. Say 1953?

25 A. 1953 was probably in the neighbour-
26 hood of three-quarters of a million dollars.

27 THE CHAIRMAN: Thank you.

28 -----

29 ---A short recess.
30



1 MR. MUNDELL: The next brief, Mr. Chairman,
2 is that of the Canadian Marconi Company. It is
3 brief No. B.88.

4 SUBMISSION OF THE CANADIAN MARCONI COMPANY

5 ---Mr. R.E. Foreman appearing.

6
7 MR. MUNDELL: Would you indicate your full
8 name?

9 MR. FOREMAN: Robert E. Foreman, manager of
10 the Marine Division, Canadian Marconi Company.

11 MR. MUNDELL: Will you go ahead now, Mr.
12 Foreman?

13 MR. FOREMAN: I think I might explain I am
14 short of my notes due to a little misunderstanding
15 as to dates, but I have the necessary material here
16 to work on. I think I can probably describe our
17 position best by reading our brief to you
18 gentlemen.

19 Canadian Marconi Company was established
20 over fifty years ago, for the purpose of providing
21 Canadian ships with ship-to-shore communication.
22 At that time the apparatus was somewhat crude as
23 compared to to-day's standards. All down through
24 the years the Company has constantly expanded,
25 pioneering in the various fields of electronics to
26 provide the shipowner of to-day with such aids to
27 navigation as Radio-telegraph, Radio-telephone,
28 Direction Finders, Echo Sounders, Radar, etc.

29 In 1935, in order to provide modern
30 economical ship-to-shore communication, the



1 Company developed and manufactured radio-telephone
2 equipment suitable for this purpose. Shipowners
3 were quick to appreciate the value of these
4 facilities, with the result that to-day the
5 majority of Great Lakes vessels are equipped with
6 this Company's apparatus, either purchased outright
7 or on rental contracts. Great Lakes coast stations
8 were fitted with similar apparatus, either purchased
9 outright or on rental contracts. Great Lakes coast
10 stations were fitted with similar apparatus which
11 was subsequently purchased by the Government. All
12 this was done prior to similar work in the United
13 States of America.

14 The rapid growth of this modern industry and
15 its universal use on the Great Lakes and coastal
16 waters, called for the establishment of fully
17 staffed service depots where vessels could obtain
18 prompt service and spare parts for various types
19 of equipment on a 24 hour basis. To-day the
20 Company maintains such depots at Port Arthur, Sault
21 Ste. Marie, Welland Canal, Toronto, Montreal,
22 Vancouver, Halifax, Cornerbrook and St. John's,
23 Newfoundland.

24 From the foregoing brief outline it can be
25 seen that the Marconi Service forms an integral
26 part of marine operation on the Great Lakes and in
27 coastal waters, co-operating with practically all
28 shipowners in such matters as procuring licenses
29 from the Department of Transport, and keeping
30 equipment in such condition that it will at all



times conform to Government specifications.

1
2 In most instances shipowners prefer to rent
3 the equipments for a predetermined fee which
4 includes service; therefore, the Company must view,
5 with the utmost concern, any move which will
6 adversely affect its investment with resultant
7 decrease in employment.

8 With the advent of the Seaway, it is only
9 natural that we, in common with shipbuilders, ship-
10 owners and a large cross-section of industry, view
11 with concern the possibility of vessels of foreign
12 registry entering the Great Lakes to carry cargoes
13 between Canadian and United States ports, thus
14 depriving Canadian seamen of employment and
15 inevitably restricting the economic development
16 of our country by Canadians.

17 Two wars have proven the necessity for
18 Canada to have a merchant marine. During the 1st
19 war Canadian shipyards built 250 ocean going
20 freighters to replace lost tonnage and 21 canal-
21 size vessels were requisitioned from Great Lakes
22 owners for operation abroad. This was a most
23 convenient reserve fleet which could be drawn upon
24 in emergency. We believe that Canada should not
25 be deprived of these facilities and be placed in
26 a position where we are dependent upon other nations
27 to carry our coastal trade.

28 When the British Commonwealth Merchant
29 Shipping Agreement was signed in 1931, the Seaway
30 was not an immediate issue, although certain



1 reservations were made at that time. This agreement
2 can be revised upon giving one year's notice and we
3 feel that now is the time to issue such notice and
4 have the necessary revisions made before foreign
5 shipowners complete their plans for Great Lakes
6 services. We understand that vessels are already
7 being built abroad to participate in this lucrative
8 business, which places Canadian ships at a decided
9 disadvantage owing to their higher operating costs.
10 If foreign shipping is not given sufficient notice
11 of impending changes, we may find Canada subject to
12 criticism at a later date. Therefore, it is our
13 considered opinion that action should be taken
14 without delay to give shipowners and all allied
15 industries sufficient time to plan ahead for the
16 future with confidence.

17 Large sums of money are being spent on
18 modernizing and building up the Royal Canadian
19 Navy, presumably, in part at least, to protect
20 our maritime commerce and it seems essential that
21 our Naval Forces be supported, for their full
22 development and maintenance - particularly in
23 times of emergency - by a healthy and adequate
24 Canadian ship-building industry. The Canadian
25 ship-building industry, to be fully effective
26 for this purpose, would seem to require the
27 essential economic and manufacturing loading that
28 can only be derived by the construction of ships
29 for normal peace-time uses. This apparently
30 essential condition can hardly be maintained or



1 created unless Canada takes appropriate steps to
2 keep up, and indeed to increase, its marine
3 operations, particularly in coastal waters and on
4 the Great Lakes.

5 Most other important trading and industrial
6 nations have recognized the necessity for protecting
7 and preserving their shipping and ship-building
8 industries and have taken appropriate action to
9 reserve for their nationals the essential nucleus
10 of such activities. It is unlikely that Canada
11 can profit, in the long-term sense, unless similar
12 action is taken by the Government.

13 Over and beyond the views which are above-
14 expressed, we sincerely believe that Canada has
15 reached a stage in her political economic and
16 industrial development such that further progress
17 can only be ensured if adequate measures are taken
18 by our Government, commerce and industry to foster
19 and nourish in Canada a progressive and ever-
20 widening economic development. Any steps or
21 conditions which tend to detract from this broad
22 objective appear to us to be retrogressive and
23 erroneous. It follows, therefore, that the main-
24 tenance and development of our maritime activities -
25 and particularly those of coastal vessels -
26 supported by a healthy and growing ship-building
27 activity is a prime essential in the national
28 interest.

29 Accordingly, we would most earnestly
30 suggest that the Commission should:



- 1 (1) Urge the Government of Canada to give
2 consideration to the early and
3 appropriate revision of the British
4 Commonwealth Merchant Shipping Agree-
5 ment of 1931;
- 6 (2) Recommend such changes in the Canadian
7 Shipping Act of 1934 as will preserve
8 for Canada our vital shipping and
9 shipbuilding industries; and
- 10 (3) Recommend such other measures as may
11 be deemed advisable for the full
12 implementation of Items (1) and (2)
13 above.

14 MR. MUNDELL: Q. Have you anything you
15 would like to add in the way of additional comment,
16 Mr. Foreman?

17 A. I might add to it to the extent that
18 this company and other similar companies in the
19 communications field have gone to considerable
20 expense in engineering and otherwise to meet new
21 regulations as they apply internationally to our
22 sea-going fleets. And I might say that the recent
23 application of the United States-Canada Great
24 Lakes Treaty has caused a complete re-design in
25 radio-telephone communications which we have met.

26 We have taken the long term view by our
27 production methods so that Canadian shipping will
28 remain brisk and active. We feel there should
29 be a lot of consideration given before we give
30 a carte blanche to foreign shipping plying in



1 the Great Lakes -- St. Lawrence area. This is
2 expressed in the brief I have just read. I have
3 nothing further^{to} comment upon.

4 Q. Would you mind if I ask you a few
5 questions?

6 A. Very well.

7 Q. Are you a Canadian company?

8 A. Well, we are. Really, our parent
9 company is the English Electric who are interested
10 in the British Marconi Company. Ours is the
11 Canadian Marconi Company.

12 Q. You are a Canadian corporation but
13 owned by English Electric?

14 A. Not owned. They own a certain portion
15 of the company. There are a lot of shareholders
16 in Canada.

17 Q. You are listed, I take it, on the
18 market?

19 A. The New York Curb. I am not sure of
20 that point, though.

21 Q. Could you give an outline of the
22 operations and activities of your company, a general
23 outline, just sketching it for the benefit of the
24 Commission?

25 A. Should I depart from the marine
26 interest?

27 Q. If you wish.

28 A. The Marine Division is one of the
29 many divisions. The Company operates a factory
30 in the Town of Mount Royal. In Mount Royal here



1 they manufacture transmitters, broadcast receivers,
2 television, all parts and accessories such as the
3 manufacture of valves, picture tubes and so on.

4 The Commercial Products Division of the Canadian
5 Marconi Company is widely interested in microwaves,
6 point-to-point communications, police systems, as
7 you probably know, taxi systems, and in our own
8 Marine Division we manufacture our own telephones.
9 We use our parent company's international telephone
10 sets. In other words, the complete orbit is
11 Marconi. In England they can make them a little
12 more cheaply, let us say, to meet the larger
13 merchant marine market, whereas our merchant marine
14 here is relatively small and whereas for our phones
15 the demand is relatively small and we make them
16 ourselves. The other portion of the company is
17 divided into Project ---

18 Q. By the other portion you mean what?

19 A. I say the other portion of the company,
20 as far as the Marconi Company at large, is interested
21 in research as it relates to electronics, television
22 and so forth and so on. They also have a broad
23 interest in the field of systems engineering where,
24 for instance, companies -- well, as an example, in
25 Northern Canada where telegraph wires are not
26 possible to be put in, they have microwave systems
27 being studied and installed. That applies to
28 Canada and other parts of the world.

29 I could say this in the broad sense, that
30 the Marconi Company is basically communications



1 in almost all its forms as it relates to radio.

2 Q. Could you give us some idea of the
3 percentage of the company's business represented
4 by the Marine Division and that represented by the
5 balance?

6 A. That I couldn't tell you accurately,
7 as to the division of the various divisions relative
8 to our portion of the whole. I couldn't tell you
9 that offhand.

10 Q. Would it be possible to furnish the
11 Commission with those figures?

12 A. Yes, I will do it if you require it.

13 Q. By percentage I was thinking probably
14 of the value of the products. Your receipts, for
15 instance?

16 A. You mean you would like to find out
17 what our revenue is, related to the company at
18 large?

19 Q. The percentage?

20 A. I see. Percentage-wise. Yes, I will
21 be able to furnish that.

22 COMMISSIONER WICKWIRE: The percentage you do
23 for marine work compared to the over-all revenue
24 of the company.

25 A. Very well.

26 MR. MUNDELL: Q. And also the gross in
27 dollars?

28 A. You would want that in dollars or
29 percentage-wise?

30 Q. Both, I think.



1 A. Very well.

2 Q. And I think possibly the number of
3 employees engaged in the Marine Division as opposed
4 to your total?

5 A. I can tell you that roughly. It is
6 roughly 1200.

7 Q. In the Marine Division?

8 A. Oh, no, that is the whole company. In
9 the Marine Division I would say it would be about
10 200 people. You wouldn't want the whole company's
11 staff?

12 Q. Supposing I put it this way, could you
13 give us the proportions of the marine business of
14 the company to the rest of the business of the
15 company measured by receipts and number of employees
16 and -- well, that would be enough -- and the gross
17 amounts?

18 A. Just the gross revenue?

19 Q. Now, as to the employees you have
20 engaged in the Marine Division, have you skills that
21 are peculiar to marine work?

22 A. Yes.

23 Q. And not found in any other branch
24 of your company?

25 A. Of course we have -- let us say the
26 marine is an accumulation of skills such as radar
27 and things of that sort. We have people who
28 specialize in various fields. We have a good
29 radar man who cannot do anything else, whereas
30 in the Marine Division all our technical men



1 are pretty well versed in all things such as
2 direction-finders, radar, echometers.

3 Q. They are sort of multi-specialists?

4 A. That's right.

5 Q. Then I interpret or at least I was
6 wondering if you could clarify one passage in your
7 brief where you referred to the fact that you rent
8 equipments and so on. You say -- this is half way
9 down page 1 -- "Therefore the Company must view
10 with the utmost concern, any move which will
11 adversely affect its investment with resultant
12 decrease in employment." Would you anticipate
13 a decrease in the use of your equipment if British
14 ships were allowed to trade in the Great Lakes?

15 A. Yes.

16 Q. Why would that happen?

17 A. It would appear to us, as we see it
18 now, that the invasion of foreign shipping into
19 the Great Lakes would of necessity reduce the amount
20 of Canadian shipping and these foreign ships
21 coming in, let us say, from outside, would carry
22 their own equipments.

23 Q. Which is suitable for the Great Lakes?

24 A. Oh, they would have to meet the
25 specifications undoubtedly, but they would be made
26 in other countries and we would have some service
27 work on them but it would not be a great amount.

28 Q. You would continue, I suppose, ser-
29 vicing shore stations, that sort of thing?

30 A. Oh, yes.



1 Q. What is the bigger part of your work
2 on the Great Lakes? The shore work or the
3 shipping?

4 A. I would say the shipping is 50% more
5 brisk than the shore work. They are fixed stations
6 where we operate from, say, one point, say Toronto,
7 whereas on the Great Lakes we have a number of
8 service depots right along in a chain which are
9 all very excellently equipped with instrumentation
10 and represent large investments in skilled people
11 and test equipments and installation materials and
12 so forth.

13 Q. Would you expect those to disappear?

14 A. They would not disappear, in our
15 opinion, but they would certainly be curtailed
16 a lot.

17 Q. What kind of work do they do in those
18 repair depots?

19 A. Well, we call them our depots and sub-
20 depots. If we have a ship in the Great Lakes
21 area, one built there, we equip her at one of our
22 divisional points, we have installation crews.
23 In the ordinary course of that ship's sailing
24 as she passes to and fro on the Great Lakes under
25 rental-maintenance, we attend to it immediately if
26 anything arises.

27 Q. Surely if anything went wrong with its
28 radio equipment it would have to have it fixed
29 immediately, wouldn't it?

30 A. Yes, but it wouldn't be of the same



1 variety. They wouldn't have rental-maintenance
2 contracts with us and we feel that our own rental-
3 maintenance contracts in volume, that there would
4 be a much better investment or a better look-out
5 for us than having foreign shipping come in here
6 with equipment that is not made in this country
7 to begin with. We feel repairs will be relatively
8 light.

9 COMMISSIONER WICKWIRE: Are you assuming the
10 Great Lakes fleet will disappear?

11 A. No, but that it will be curtailed
12 somewhat. That is as we see it now.

13 MR. MUNDELL: Q. You say 50% more. That
14 would be two-thirds of your work in the Great Lakes
15 is in relation to ships?

16 A. That's right. I don't know whether you
17 are aware of the fact that the United States-Great
18 Lakes treaty now has compulsory radio-telephone
19 fittings on certain classifications of ships which
20 are represented by a large body of the Lake shipping
21 to-day. They must carry radio-telephone.

22 Q. Ship-to-shore?

23 A. Yes. And it must work.

24 Q. Well, it would be hardly worth carrying
25 if it didn't work.

26 THE CHAIRMAN: Well, to what place on shore
27 do these ships connect?

28 A. Well, for instance, if a ship leaves
29 Montreal and he gets in between, let us say,
30 Montreal and Toronto, and his radio-telephone



equipment breaks down ---

1 THE CHAIRMAN: Oh, I am not speaking of break-
2 down at all. When they use their equipment, to
3 whom do they speak?

4 A. In Montreal the station is up here at
5 St. Michel.

6 THE CHAIRMAN: Who operates that?

7 A. The Canadian Marconi Company.

8 Q. Well, whether it is a U.K. ship or a
9 Canadian ship, they are going to have to use all
10 the shore stations?

11 A. Oh, yes.

12 Q. So what you tell us you feel you lose
13 is, firstly, that they might have equipment supplied
14 in England instead of in Canada?

15 A. That's right.

16 Q. Secondly, they will have all but
17 emergency repairs done there?

18 A. That's right.

19 Q. But you will have the servicing of the
20 shore stations just the same?

21 A. Well, I might qualify the shore
22 stations. We operate the coast stations on behalf
23 of D.O.T. They are really D.O.T. stations; that
24 is Department of Transport.

25 Q. So that one up on Signal Hill, for
26 instance, in Newfoundland, you operate that for
27 the Department of Transport?

28 A. That's right. That is owned by the
29 Department of Transport.
30



1 MR. MUNDELL: I was just leading up to the
2 questions the Chairman asked you. To what extent
3 do you think you would be hurt by the increased
4 participation of British ships in the Canadian
5 coasting trade? I think you have probably answered
6 it in reply to the Chairman, to some extent. You
7 don't mean limited -- rather, you would be limited
8 to the emergency repairs?

9 A. Yes, and they would carry their own
10 spares. Just to what extent it would hurt us I
11 do not know. You mentioned British shipping but I
12 am considering it all.

13 THE CHAIRMAN: Q. Yes, but you understand
14 the situation under the present regulations. No
15 foreign -- that is not a British Commonwealth ship --
16 can engage in the coasting trade.

17 A. You mean inter-coast?

18 Q. Yes, the coasting trade is from one
19 port in Canada to another.

20 A. Yes, I appreciate that. But is it not
21 also a fact that the movement of grain which
22 occupies quite a number of ships from the Head of
23 the Lakes to Montreal where the transfer of wheat
24 takes place to go to the other side, isn't it a
25 fact that a lot of these ships will come in and
26 go to the Head of the Lakes and load?

27 Q. A foreign ship?

28 A. Yes.

29 Q. Are you opposing that?

30 A. Yes.



1 Q. Because you are the only interest that
2 has so far?

3 A. It appears to us on that basis, if
4 that is permitted, we will certainly drop some of
5 our lake shipping at least.

6 Q. Not only will it be permitted but it
7 is the purpose of the Seaway to bring the ocean to
8 the Head of the Lakes and it is the boast of every
9 city from here to Port Arthur that they will have
10 the flags of all nations coming into their harbours.
11 They are to-day in a small way.

12 A. Oh, yes, there are quite a few ships
13 going up now, but I would say that would be to the
14 detriment numerically and otherwise of the
15 Canadian Lake shipping and the merchant marine at
16 large.

17 Q. You say that. Why? Do you say the
18 hundreds of thousands of bushels moved in that
19 fashion will therefore not be moved in the Great
20 Lakes vessels? Is that what you feel?

21 A. Yes.

22 Q. I suggest to you that the Upper Likers
23 are such an efficient proposition for carrying grain
24 that there would be very few occasions when such a
25 vessel as you contemplate would come up to the
26 Head of the Lakes to take grain?

27 A. How about the movement of general
28 cargoes?

29 Q. Certainly.

30 A. The products of the west cannot be



1 altogether curtailed, in my opinion, to wheat.
2 There are many other products that could be carried
3 direct by foreign bottoms to the Continent. As
4 we see it now, the cost of operating a Canadian
5 ship, with wages and everything, is hardly comparable
6 to that of the Continental owners.

7 MR. MUNDELL: Q. You fear that Canadian
8 shipping then will be run out of business, do you?

9 A. I wouldn't say entirely, but certainly
10 it would feel the impact.

11 COMMISSIONER WICKWIRE: Mr. Foreman, does
12 your company feel that the St. Lawrence Waterway
13 should not have been deepened?

14 A. No. We favour it. We think it is a
15 good idea.

16 Q. Then for what purpose?

17 A. We feel on a national policy we would
18 be able to build up a much better merchant marine,
19 that is ocean-going, than we have at the present
20 time.

21 Q. That is Canadian ocean-going?

22 A. Yes.

23 THE CHAIRMAN: Q. How is that favoured by
24 the building of the Seaway?

25 A. Well, I think that the lake-carrier
26 type that has been engaged in shuttling between
27 the Head of the Lakes to any of the Lakes in
28 Canada will be reduced and in its place we will
29 have the larger ocean-going type of ships which
30 Canada, you must say, at the present time is



1 rather lacking in.

2 Q. Practically none?

3 A. I think there are about thirty.

4 Q. Do you think then that the trend of
5 development of ships carrying wheat will turn from
6 the Great Upper Laker to a ship of deeper draught
7 suitable to going on ocean voyages?

8 A. I think so.

9 Q. You and Mr. Misener and Mr. McLagan
10 don't seem to agree from the point of view of the
11 ships they have been building.

12 A. Of course, we are not, as you know,
13 ship owners. We see the communications side
14 numerically.

15 Q. I am pointing out to you that the
16 trend we have heard from in the case of those who
17 have been pretty close to it is that the Laker will
18 be bigger and bigger, as big as can get through the
19 Welland Canal. It means that the long cigar shape
20 will be even longer. It will be a Panatela instead
21 of a Corona Corona.

22 A. We see it more or less as a numerical
23 value of those ships. What the trend as to types
24 will be, we are not prepared to make any statement
25 on.

26 MR. MUNDELL: Q. Well, coming back, our
27 discussion so far leads to the actual interest
28 that your own company has in the way it may be
29 hurt?

30 A. That's right.



1 Q. In addition to that, you put up an
2 argument on the general ground of security and
3 defence as a reason for maintaining the shipping
4 industry. Which of these do you put as the major
5 argument, the fact that it will affect your business,
6 and I presume you put that forward on the basis
7 that it will cut down unemployment, or are you
8 thinking primarily of national defence?

9 A. I think along the lines of national
10 defence there mostly. Apart from a reduction of our
11 own merchant marine, whether it is Great Lakes or
12 otherwise, I think personally that the number of
13 mariners that will be unemployed, the number of
14 shipbuilders that will not have ships to be built,
15 I think that is bad in case of war, or any emergency,
16 where, firstly, we will not have enough ships to
17 face any such emergency and, secondly, we will not
18 have the skills to build ships. They will gradually
19 recede. There are no two ways about it, they can
20 certainly build ships cheaper on the other side than
21 we can here. That is for various reasons. They can
22 also man their ships much more cheaply. That is a
23 deciding factor, of course, in the negotiation of
24 cargoes.

25 Q. You rely on both, defence probably as
26 a primary matter, and your company's own interest
27 as a secondary measure?

28 A. I would say that.

29 Q. You put forward as one of your pro-
30 posals early and appropriate revision of the



1 British Commonwealth Merchant Shipping Agreement
2 of 1931 and such changes in the Canada Shipping Act
3 as will preserve for Canada our vital shipbuilding
4 industry. What change and what revisions have you
5 in mind?

6 A. Well, I think there should be some
7 initial effort, let us say, by the Government to
8 help ship owners.

9 Q. I realize that, but what do you mean?
10 There have been several different proposals put
11 forward. For example, reserve the coasting trade
12 in Canada to Canadian-built and registered vessels.
13 Is that what you have in mind?

14 A. That is one thing.

15 Q. Is there anything else?

16 THE CHAIRMAN: Well, he has mentioned another
17 one, the matter of preventing international traffic.

18 MR. MUNDELL: Q. You mean preventing inter-
19 national traffic on the Great Lakes, too?

20 A. Yes. You are referring to U.K. and
21 the U.S.?

22 Q. Any international traffic. Cutting
23 out any but U.S. and Canadian ships on the Great
24 Lakes?

25 A. What is that question again?

26 Q. Prohibiting ships other than Canadian
27 and U.S. ships from being on the Great Lakes?

28 A. As steady plyers between Canadian
29 ports, yes, and American ports.

30 Q. What about going up and taking a load



1 of grain from Fort William and coming back again?

2 A. You mean to go to a Continental port?

3 Q. To Liverpool or a Continental port?

4 A. I think personally that there should be
5 no real restrictions on that, but I think we should
6 be in a position to at least compete with those
7 lines that will invade this territory.

8 Q. Do you mean by subsidy?

9 A. Let us say help in some way to the
10 owner because, as we see it to-day, our wage
11 schedules and so forth will not permit a com-
12 petitive operation against foreign entry to the
13 Great Lakes.

14 Q. But you don't know whether it should
15 be a subsidy or something else?

16 A. Oh, I couldn't say as to that.

17 Q. In connection with these proposals of
18 your company, have you taken into consideration the
19 many conflicting interests that may be affected?
20 For example, the Province of Newfoundland where
21 they rely entirely on shipping for inter-provincial
22 traffic, movement by ships. Representations have
23 been made to the Commission that any restriction
24 of the Canadian coasting trade will inevitably
25 increase the cost of transportation there. Also
26 in British Columbia the forestry industry says
27 that any restriction might result in an increase
28 of cost to them and they might lose their markets.

29 A. That I agree with.

30 Q. The same with the grain trade.



1 A. Does Newfoundland specify that this is
2 inter-Canadian trading or their own foreign export?

3 Q. Inter-Canadian.

4 A. Inter-Canadian?

5 Q. Any restriction?

6 A. Do they mention the fact that these
7 ships that are referred to that are carrying their
8 commerce are of foreign registry or Canadian
9 registry?

10 Q. They are of Canadian and U.K. registry
11 -- any registry.

12 A. What I do know is that the chartered
13 bottoms coming into Sydney and, say, Newfoundland
14 from Great Britain and other places, can be
15 operated cheaper than Canadian bottoms at the
16 present time. That is probably what they are
17 referring to.

18 Q. And between St. Johns and Halifax and
19 St. Johns and Toronto there is a line running, is
20 there not?

21 A. I believe there is one line. I think
22 it is a foreign charter arrangement.

23 Q. Do you want to cut that out?

24 A. I wouldn't say to cut it out, but I
25 think we should be helped in some way to compete
26 with foreign registered ships.

27 Q. You don't want it restricted as far
28 as Newfoundland is concerned?

29 A. I wouldn't say so.

30 Q. Or British Columbia?



1 A. I wouldn't say so.

2 Q. What about the western farmer who sends
3 his grain down the Great Lakes? Strong represen-
4 tations have been made that any restriction will
5 result in -- well, in one instance it was referred
6 to as a monopoly.

7 A. It certainly will be.

8 Q. A decrease in cost?

9 A. I believe these people are calculating
10 it on the Canadian cost per ton as against foreign
11 shipping carrying their produce to the Continent.

12 Q. I am not sure I follow you. Let's
13 take it in stages. Do you agree if there is a
14 restriction imposed on the vessels that ply on the
15 Great Lakes that would result in either an increased
16 cost of transportation or less of a decrease than
17 might otherwise be realized? Would you agree with
18 that?

19 A. At the present time I would say that
20 they have a pick of foreign shipping coming in here
21 and carrying their wheat at very competitive prices
22 on the market whereas if the same cargo were carried
23 on Canadian registered ships under the present wage
24 schedules and so forth, and the cost of building,
25 their costs would be very greatly amplified.

26 Q. But you recommend the restrictions
27 notwithstanding?

28 A. I do.

29 MR. MUNDELL: I think that is all, Mr.
30 Chairman.



1 THE CHAIRMAN: Yes. Mr. Simard, have you
2 something?

3 MR. A. SIMARD: I am Arthur Simard, Marine
4 Industries Limited. In your own estimation,
5 would there be a reduction in service charges if
6 you had twice the volume that you now have? From
7 what I understand, the Canadian Marconi Company
8 have depots in Toronto, Port Arthur, down at
9 Cornerbrook, Sydney and just about everywhere?

10 A. Oh, yes.

11 Q. And those charges are not too high
12 but because you have to maintain a staff at all
13 those spots ---

14 A. I would say that volume would bring
15 our cost down much.

16 Q. And by doing so the ship operators will
17 save that in the operation of their ships?

18 A. Oh, definitely. The rental maintenance
19 structure would also be brought down considerably.

20 Q. Would you figure on increasing the
21 number of depots if you had more customers and more
22 traffic?

23 A. I don't know whether we would increase
24 the physical lay-out of the depots because I think
25 we have the routes pretty well covered now. We
26 would increase staffs, of course, with the
27 increased volume.

28 Q. So an increase of traffic would not
29 mean a very big outlay for your company and the
30 ship operators would benefit?



1 A. Exactly.

2 Q. Now, we understand that Canadian
3 Marconi is a public company which is controlled by
4 English Electric?

5 A. Yes.

6 Q. Now, is it true that your company is
7 sending Canadian dollars to Great Britain through
8 your parent company, the English Electric, and the
9 success of the Canadian Marconi Company in so far
10 as the result or the profit goes to the parent
11 company, English Electric, is that right?

12 A. That's right.

13 COMMISSIONER WICKWIRE: Q. Mr. Foreman, what
14 Canadian competitor have you building ship-to-shore
15 communications?

16 A. You want names?

17 Q. Yes.

18 A. Well, there are quite a few, sir. On
19 the West Coast there is a firm called Spilsbury
20 and Tyndall. There is Norpak. There is Radio
21 Communications & Engineering. And there is Hudson
22 Radio. And there are, of course, a great number
23 of competitive equipments on the market in Canada
24 manufactured in the United States. If you want a
25 few of those names I could give you them.

26 Q. Oh, no, I was just interested in the
27 Canadian companies.

28 MR. MUNDELL: Thank you very much, Mr.
29 Foreman.

30 ---The witness withdraws.



MR. GERIN-LAJOIE: Mr. Chairman, the next submission will be that of the Canadian Fairbanks Morse Company Limited. I understand that those appearing for the Company are Mr. George R. Wyer and Mr. James McClure. Mr. Wyer is the executive vice-president. Mr. McClure is the assistant manager of the Marine Division.

SUBMISSION OF CANADIAN FAIRBANKS MORSE
COMPANY LIMITED

---Represented by Mr. George R. Wyer and Mr. James McClure.

MR. WYER: As suppliers for many years to the marine industry of Diesel engines and other equipment for ships, we are naturally interested in the work of this Commission and we, therefore, have submitted a brief. We feel that the shipyards for the general benefit of Canada should be kept busy, and, as we have said in our brief, being as heavily employed as possible makes the shipyard not only an economic one for Canada but also protects it in time of war. We made some suggestions in our brief in regard to what could be done in fostering the shipbuilding industry.

If I may state the views of our company, soliciting this class of business which we have done over many, many years, I can tell you a few of the problems we have to-day. We have been in the Diesel engine business for the last 40 years and probably we are one of the prime movers of equipping ships with Diesel engines in Canada.



1 We find, however, as time goes on, that we are
2 experiencing more and more competition from
3 European manufacturers and that is coupled with the
4 shipbuilders experiencing the same problem, because
5 their ship also embraces an engine. You might
6 rightly ask me just how serious that competition is.
7 I will have to be general because the experience
8 varies, but it does run along these lines, that a
9 ship can be purchased from England with its power
10 from 30 to 40% cheaper than a similar ship can be
11 built in Canada.

12 Another type of competition that we have is
13 if the order for the ship is placed in Europe it is
14 natural for the shipbuilders to desire to put in
15 European engines and it makes it very, very difficult
16 for us to secure under those conditions not only the
17 engines but the other equipment which can be
18 supplied. We have gotten into the manufacture of
19 Diesel engines for ships that successfully ply the
20 Great Lakes and the St. Lawrence River now. We con-
21 trol the Canadian Locomotive Company where we
22 manufacture Fairbanks Morse Diesel engines. We can
23 turn out enough Diesel engines in Kingston to power
24 70 ships which would ordinarily be operating -- that
25 is of 2,000 horsepower each -- that is, which would
26 ordinarily be operating on the St. Lawrence River
27 and the Great Lakes.

28 Along with that is a lot of other equipment
29 such as pumps and other engineering products. The
30 reason why we are naturally interested in this



1 Commission is that the more ships that are built in
2 Europe the less chance there is for our Company and
3 other Canadian Companies like ourselves supplying
4 equipment for the engine rooms and for the
5 shipbuilders themselves on whom we rely for a
6 certain share of our business to compete against
7 that type of business and to secure it.

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Now, I have submitted a brief and I am quite ready to answer any questions, sir.

MR. GERIN-LAJOIE: Q. Mr. Wyer, will you tell the Commission whether your company is a Canadian incorporated company?

A. Yes, sir, distinctly separate, beyond the fact that we are closely connected in the United States. We have a Canadian plant and are completely separate.

Q. What is the name of the American firm?

A. Fairbanks-Morse & Company.

Q. And did you say that the shares of your company are, in the majority, Canadian-owned or not?

A. No, I wouldn't. The shares are not owned by Fairbanks-Morse & Company but by the family.

Q. Would you explain briefly what the operations of your company are?

A. First of all, we have a number of lines. You have probably heard of Fairbanks scales and we manufacture in Sherbrooke, Quebec, and in Quebec, where we employ about two hundred people at the present time, every type of scale made by Fairbanks-Morse & Company in the United States. We make that same scale in Canada, make it completely.

Then we also make -- we and Fairbanks-Morse & Company combined share the control of the Canadian Locomotive Company at Kingston, where the Canadian Locomotive Company are a separate organization from Canadian Fairbanks as far as its



1 shares are concerned and make Fairbanks-Morse diesel
2 engines and Fairbanks-Morse water systems.

3 Q. That is in Kingston?

4 A. In Kingston, Ontario. Then we also
5 sell other engineering lines.

6 Q. When you say "we" ---

7 A. I go back now to the Canadian Fairbanks-
8 Morse. We also sell other things, of course, the
9 same as in the United States.

10 Q. Such as?

11 A. Such as farm engines and certain pumps
12 that we make there too, and I will say this, and in
13 all seriousness, that we are always endeavouring to
14 manufacture more Fairbanks lines in Canada, where we
15 can do it on an economical basis. We have a committee
16 that is studying that feature all the time. In
17 addition to those Fairbanks-Morse lines, we are agents
18 for a number of other companies.

19 We sell machine tools, we sell automotive
20 equipment, we sell engineering supplies for power
21 plants and we sell home appliances like refrigerators,
22 radios and television.

23 Q. Are you agents for foreign companies?

24 A. We have some agencies for Britain in
25 machine tools.

26 Q. Does your company own only the one
27 plant?

28 A. The Fairbanks-Morse Company own the
29 plant in Sherbrooke and we have a huge investment
30 where we make our own engines at Kingston under



the Canadian Locomotive Company.

Q. Will you state where the part of your building connected with marine equipment or marine building fits into the general picture?

A. Yes, it is the propulsion of the boat, what you might refer to as the main engine. Then we supply pumps to cool the engine and to supply lubricating oil to the engine.

Q. And with regard to all this equipment, you act as agent for the sale of it?

A. We make some, like the engine, ourselves, in Kingston, Ontario.

Q. That is the other company?

A. Yes, that is the Canadian Locomotive Company, and on some of the equipment, we have to buy it, like mufflers and things of that nature. We supply the pumps, the same as those coming from the United States.

Q. Could you tell what proportion of the total volume of business of Canadian Fairbanks-Morse is connected with marine work?

A. I would say probably about fifteen percent.

Q. That would be an average for the past few years?

A. Yes.

THE CHAIRMAN: Q. Fifteen?

A. Fifteen percent of total volume.

MR. GERIN-LAJOIE: Q. That would be excluding, of course, the war years?



1 A. That's right.

2 Q. That would be the present average?

3 A. That's right.

4 Q. And that is for only the Canadian Fair-
5 banks-Morse Company?

6 A. That is right. I might say to you, to
7 make it clear, between the Canadian Locomotive Com-
8 pany and Canadian Fairbanks-Morse that we buy from
9 them just as if we never knew them. They invoice us
10 and we pay them and then we sell the equipment.

11 Q. You mean that all their goods are
12 sold through your company?

13 A. Just the marine diesel engines and
14 the stationary engines. The locomotives are supplied
15 directly to the railways.

16 Q. But the marine equipment is sold
17 through you?

18 A. That's right.

19 Q. They do not sell any direct?

20 A. None whatsoever.

21 COMMISSIONER WICKWIRE: Q. What proportion
22 of marine equipment does the Canadian Locomotive
23 Company turn out, of its total?

24 A. That might be difficult to answer
25 right away, because there are steam locomotives
26 and diesel locomotives.

27 Q. Perhaps you would get a figure for
28 us.

29 A. Yes, I prefer to get that for you.

30 MR. GERIN-LAJOIE: Q. When you mentioned



1 approximately fifteen percent of your total volume
2 of Canadian Fairbanks-Morse Company business is re-
3 lated to marine equipment and building, that includes
4 both navy shipbuilding and commercial?

5 A. Yes, it does, sir.

6 Q. That would be entirely through sales
7 to Canadian shipyards?

8 A. That is right, sir.

9 Q. And do you sell to shipyards all across
10 the country?

11 A. We sell to shipyards all across the
12 country. We have sixteen branches. Of course, we
13 are not selling to shipyards on the Prairies, but we
14 do have branches there, we have branches and are
15 selling in Vancouver, Halifax, Quebec, Montreal,
16 Toronto, Kingston, Collingwood, Midland.

17 Q. Now, coming to the argument, if I might
18 call it that, presented in your brief, I would like
19 to ask you, and I am referring particularly to page
20 2 of the brief, under "Pro No. 1", as you call it,
21 the desirability and necessity from a national
22 standpoint of providing employment by maintaining
23 a healthy shipbuilding industry ---

24 A. Yes.

25 Q. --- would you not see any possibility
26 that if Canadian coasting trade were restricted to
27 Canadian-built ships and, in that case, if there
28 was to be more employment in the shipbuilding
29 industry, there might be some adverse repercussion
30 in some other industries which rely on low



1 transportation costs for the selling of their goods,
2 such as wheat, for instance?

3 A. Would you mind repeating that, please?

4 Q. You are envisaging a higher employment
5 in the shipbuilding industry?

6 A. Yes.

7 Q. Might that not result in a higher cost
8 of transportation?

9 A. I see what you mean. Because of the
10 higher cost compared with buying ---

11 Q. Yes.

12 A. Yes, it might.

13 THE CHAIRMAN: Q. It would not do very much
14 good to have a very large shipbuilding employment
15 if they could not sell the ships, because those who
16 use the ships could not sell their goods.

17 A. We felt that if everybody was in the
18 same position it would not seriously affect them.

19 Q. No, but this wheat is not sold in
20 Canada; it is sold in Liverpool and the rest of the
21 world markets.

22 A. That is right.

23 Q. If we cannot get ^{our} wheat there at a price
24 which will compete with wheat from Argentina, Aus-
25 tralia and even Poland, it will not do the Maritime
26 shipbuilding much good to have the sole right to
27 build ships, and that is the balance we must think
28 about.

29 A. There is that angle to it. It may
30 be that in spreading over the cost, it would not



of course,
1 be too excessive in the rate, and, while this subject
2 is brought up, we have all seen it, in time of war
3 it is a great asset.

4 MR. GERIN-LAJOIE: Q. Well, that is another
5 aspect, of course.

6 A. Yes.

7 Q. But I was referring particularly to
8 the employment argument mentioned in your brief.
9 You have not considered particularly the possible
10 repercussions in other industries or other fields of
11 activity?

12 A. That's right.

13 Q. You mention at page 3 of your brief
14 that if your recommendations were adopted by the Com-
15 mission and the Government eventually, the burden of
16 the high cost of transportation would be distributed
17 evenly, not only among the owners but eventually
18 through all Canadians and outsiders as well.

19 Don't you think the additional burden might
20 not be so evenly spread? Don't you think it might
21 affect more seriously certain regions of the country
22 which have to rely much more on transportation
23 than other regions do?

24 A. I am of the opinion that it is not
25 as serious as you consider it is, that the large
26 bulk that would be transported ---

27 Q. That the higher cost would be as
28 high as I might seem to suggest?

29 A. That is right.

30 THE CHAIRMAN: Q. I do not understand that.



1 You are of the opinion that the increase in cost of
2 transportation, spread over the volume of goods
3 transported, would not ---

4 A. Spread over the increase.

5 Q. --- would not materially increase the
6 cost of those goods, is that what you are saying?

7 A. I would say the increase in the cost
8 of shipping, with the volume being transported, would
9 not very seriously affect the rates.

10 Q. As far as primary products are concerned?

11 A. Oh, I know it would affect them.

12 Q. Well, it is pretty constant. On bushels
13 of wheat, they tell you how much they expect to sell
14 in 1955, but if the cost increased, by restriction
15 to Canadian ships, by, say, fifteen percent, would
16 that add fifteen percent handicap to the Canadian
17 grain seller?

18 A. It could do. There would have to be
19 more research on it.

20 COMMISSIONER WICKWIRE: Q. It is a problem,
21 is it not?

22 A. It is a very broad problem, but, you
23 see, I see no other way of having the shipyards get
24 the business unless there is some Government regu-
25 lation.

26 MR. GERIN-LAJOIE: Q. And have you con-
27 sidered other types of regulation than restricting
28 coasting trade to Canadian-built and registered
29 ships; for instance, a subsidy system? Have you
30 considered the possibility of Government subsidies



to help the Canadian shipbuilding industry?

A. I did not look on that angle. I didn't look at that. I just looked at it through straight business channels, apart from Government regulations limiting the ships built.

Q. The argument has been expressed here that if subsidies were undertaken by the Canadian Government, that the burden could be spread over the whole country and that results would be much more easily achieved than if the coasting trade were restricted to Canadian-built ships.

A. I see. There is a lot of angles to it, keeping the shipyards busy. We would be paying for it in another way. In the end, somebody would be paying for it. You would either get it through rates or subsidies.

Q. Well, that is an alternative form and I am wondering if you have ever considered that possibility.

A. No, I have not considered it, sir.

Q. I would like to have an explanation of a small point mentioned at the end of your brief. You mention, "Our Canadian Government placed the order for the propulsion machinery for the new Caribou-Wood Islands Ferry in Holland".

A. Yes.

Q. Is that only because the cost was lower?

A. That's right. I don't know of any other reasons.



1 THE CHAIRMAN: Where is that?

2 MR. GERIN-LAJOIE: Page 5 of the brief, Mr.
3 Chairman.

4 Q. Was your company in a position to supply
5 that machinery?

6 A. Yes, we were.

7 Q. Would it have been built in Canada?

8 A. That's right.

9 Q. Where would it have been built?

10 A. In Kingston, Ontario, made by Canadian
11 Locomotive, on our order.

12 THE CHAIRMAN: Which are you talking about?
13 There are two boats, are there not?

14 A. On that service now?

15 Q. Yes.

16 A. I could not tell you.

17 Q. Do you not know which boat you are re-
18 ferring to?

19 A. This is a new boat. Our brief reads,
20 "Our Canadian Government has placed --".

21 Q. I have read that, but there were two
22 ships. One was the "Sir Charles Dunning" and then
23 there was another name.

24 MR. MACLURE: The "Prince Nova". There
25 is a ship presently under construction.

26 COMMISSIONER WICKWIRE: Q. Where?

27 A. The hull itself is being built in
28 Pictou, Nova Scotia, and the machinery being pur-
29 chased in Holland, from Woxboor. I don't know how
30 to spell that name.



1 MR. GERIN-LAJOIE: Q. Has your company filed
2 a bid for the machines?

3 A. Oh, yes, we tendered on it and we lost
4 the order.

5 MR. GERIN-LAJOIE: I have no more questions,
6 Mr. Chairman.

7 COMMISSIONER WICKWIRE: Q. There is nobody
8 else building marine diesels in Canada?

9 A. To the best of my knowledge, no. I
10 must correct that: of this type. There are some
11 Canadian-type engines being built out at Vancouver by
12 a combination of English companies, up to about 600
13 h.p. They do not go up to 2000.

14 THE CHAIRMAN: Thank you.

15 MR. WYER: Thank you very much.

16 MR. MUNDELL: Mr. Chairman, the only other
17 party that was listed to be heard today was Guy
18 Tombs Limited, and I have here a telegram, which reads
19 as follows:

20 "Regret severe cold prevents my attendance
21 "at public hearings this week. We remain
22 "strongly of opinion no change should be
23 "made in present laws. The Seaway to justify
24 "its expenditure by anticipated trade ex-
25 "pansion should not be handicapped either
26 "pre-natal or at birth."

27 That is signed by Guy Tombs, President, Guy Tombs
28 Limited.

29 THE CHAIRMAN: Well, that concludes all
30



1 the briefs we have ready for presentation today?

2 MR. MUNDELL: Yes.

3 THE CHAIRMAN: So, with some regret, we will
4 have to adjourn until tomorrow morning at 10.00
5 o'clock.

6
7 ---Whereupon the hearing adjourned at 12.30 P.M.
8 until 10.00 A.M. on October 6, 1955.
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THURSDAY, OCTOBER 6, 1955

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---On resuming at 10.00 A.M.:

THE CHAIRMAN: Yes?

MR. GERIN-LAJOIE: Mr. Chairman, the only two submissions for today are those of the Aluminum Company of Canada and of Saguenay Terminals Limited. The first group today, subject to your approval, Mr. Chairman, will be the Aluminum Company of Canada.

THE CHAIRMAN: All right.

MR. GERIN-LAJOIE: Mr. Graham.

SUBMISSION OF THE ALUMINUM COMPANY OF CANADA

---Mr. R. Barry Graham appearing.

MR. GERIN-LAJOIE: Mr. Graham, would you mention your initials and name and position with the Company?

MR. GRAHAM: My name is R. Barry Graham. I am the general traffic manager of the Aluminum Company of Canada.

MR. GERIN-LAJOIE: Mr. Graham, you may take it for granted that the Commission has read your brief. If you have any further comments or additional information to give you may submit it now to the Commission.

A. Thank you. I do not believe we desire to ^{enlarge} the information we have already given in the brief. We would certainly be pleased to answer any questions or give additional information that may be required.

MR. GERIN-LAJOIE: The brief number is 41, Mr. Chairman.

THE CHAIRMAN: Thank you.



1 MR. GERIN-LAJOIE: Q. Mr. Graham, will you
2 tell the Commission if the Aluminum Company of Canada
3 is a Canadian-owned company or whether it is ---

4 A. I could not give you the exact figures
5 on the holding, but there is a high percentage of
6 holding of the parent company's stock, the Aluminium
7 Limited, by American citizens and other citizens
8 around the world. I would not wish to guess on the
9 Canadian percentage of stock holding of the Aluminum
10 Company, but it is increasing and it is a substantial
11 amount.

12 Q. Is your company the subsidiary of any
13 other company either in Canada or the United
14 States?

15 A. Yes, the Aluminum Company of Canada is
16 a direct subsidiary of Aluminium Limited, a company
17 with headquarters in Montreal.

18 Q. Can you explain to the Commission the
19 operations of your company as far as water trans-
20 portation is concerned?

21 A. I assume you refer to the Aluminum
22 Company of Canada, sir?

23 Q. Yes.

24 A. Insofar as our operations in Canada
25 are concerned, they are principally directed to-
26 wards the smelting and fabrication of aluminum.
27 In connection with the smelting operations we
28 require something in the order of six tons of
29 raw material per ton of aluminum manufactured,
30 and as I say in the brief, all of our smelting



1 operations are located in a favourable situation so
2 that we may perform different types -- we may use differ-
3 ent types of transportation in Canada and get favour-
4 able rates due to competition.

5 In Canada we require various ingredients for
6 smelting, many of which come from Canada, and of course
7 large tonnages from other international sources such
8 as bauxite from South America. A certain amount of
9 raw material from the United States.

10 Q. First of all, can you mention if all the
11 plants enumerated in paragraph No. 1 of your brief are
12 both smelting and fabricating plants, or are some of
13 them smelters and other fabricating plants?

14 A. I would be glad to answer the question.
15 We endeavoured to make it clear in the brief, where
16 I believe in Arvida ---. Possibly I should define
17 a smelter. A smelter is an organization that takes
18 raw material and produces an aluminum ingot. We de-
19 fine fabricating as being something that takes that
20 and changes its form, although we do not make our
21 finished product. We put it into other intermediate
22 forms.

23 At Arvida we manufacture aluminum into its
24 intermediate form, and the further work of fabrica-
25 tion can make it into wire.

26 Hence Arvida, although essentially a large
27 smelter, does perform some fabricating work. At the
28 same time we have found it profitable to engage in
29 some chemical business, that is by-products chemi-
30 cals, which we have been able to sell, so that some



1 portion of our business, although it is connected, does
2 not pertain to metal itself.

3 Shawinigan Falls is both a smelting and fabri-
4 cating plant in that they have smelting facilities for
5 aluminum, and at the same time have been for fifty-
6 odd years manufacturers of aluminum cable and wire
7 products.

8 Our plant at Kingston, Ontario, is a fabricating
9 plant only in the sense of the word as we understand
10 it; namely, it takes smelted alumina and transforms
11 it into sheets, sheet-plating, tubing, extruded pro-
12 ducts and aluminum foil.

13 We have one plant at Etobicoke near Toronto and
14 this engages in the use of raw aluminum and magnesium
15 and manufactures caskets. In the West Coast at ---

16 COMMISSIONER WICKWIRE: Q. Caskets?

17 A. Caskets, yes, sir. In our operations
18 in British Columbia at Kitimat, the output at the
19 moment is entirely aluminum ingot, so it is defined
20 as a smelter and not for the time being a fabricating
21 plant, although some day it may be.

22 Q. What about the Isle de Madeleine?

23 A. At Isle de Madeleine that is entirely
24 a smelter.

25 Q. What about Beauharnois?

26 A. Also only a smelter.

27 Q. Can you tell what raw ore products
28 or raw materials you need in the aluminum smelter
29 or smeltering plants apart from the bauxite you
30 have just mentioned?



1 A. Yes, the principal ingredients in tons
2 is bauxite, and the second largest ingredient is
3 petroleum coke.

4 Q. Would you explain to the Commission if ---

5 A. I was going to answer a little more fully
6 in that we also require cryolite, which comes generally
7 from Greenland and some other sources, and also Fluor
8 spar which comes from Newfoundland.

9 Q. Entirely?

10 A. Not necessarily. At the moment, I think,
11 we have just recently purchased some of our first
12 non-Newfoundland Fluorspar for some considerable time.
13 In other words, it is a competitive source of material.
14 We happen to have been getting it from there for
15 some time. I believe the Commission has received a
16 brief from our associate company in this matter.

17 These are the principal ingredients pertaining
18 to the smelting operation.

19 We do also receive from Canada, for the re-
20 fining of the bauxite, a further step in the process,
21 soda ash, of which we get a large proportion from
22 the Windsor area. At the same time we receive
23 another ingredient called pitch, and it comes from
24 the United States generally through Sydney, Nova
25 Scotia, Toronto, or Sault Ste. Marie.

26 THE CHAIRMAN: Q. Another ingredient is
27 obtained just north of Ottawa in the Gatineaus, is
28 that right?

29 A. Sir, that is referring to our mag-
30 nesium operation, and it is pertinent to our business



1 in that many of our alloys, which are primarily and
2 largely aluminum, do use magnesium to some degree
3 as an alloying element.

4 MR. GERIN-LAJOIE: Q. Mr. Graham, can
5 you tell the Commission how you have this material
6 transported to you? First of all, perhaps I should
7 ask you if you go and get the raw materials, or
8 have the supplying companies take charge of the trans-
9 portation.

10 A. Well, I think both things happen. We
11 do in some cases organize the transportation to the
12 point of use. In some cases we receive the materials
13 delivered.

14 In respect of bauxite, of course, we organize
15 its mining and transportation right to our smelters.
16 In turn, refine it to alumina, which is the refined
17 ore which, again, is reduced to the metal.

18 This refined ore is shipped from Arvida, where
19 we have our only alumina plant in Canada, so there
20 is quite a bit of inland transportation of this
21 intermediate form of aluminum.

22 Q. What about the bauxite? First,
23 do you get it only from South America, or from else-
24 where?

25 A. No, bauxite is an extremely common
26 element in the world. It is a competitive raw
27 material. We have had different owners or
28 countries in the world supplying it. In our case
29 we have for many years received it from British
30 Guiana, but more recently made various arrangements



with companies in Dutch Guiana, and also we have developed property in what is called Los Islands or Casso in West Africa. It is a competitive raw material. In other words, we happened to have had it from certain sources today, but that pattern may change depending upon the economics and transportation costs and other factors.

Q. I suppose it is all transported by water from these suppliers?

A. That is quite true because there is no bauxite, to my knowledge, in Canada, so that our smelters are located on water because, as I mentioned, the cost of transportation of bauxite, which is a single item, is rather large. We must depend upon efficient water transportation. The rough figure of bauxite is, it takes four tons of bauxite to go into the manufacture of one ton of metal.

Q. And is bauxite transported always on a single ship from its origin point to the point of destination, or is there any transshipment?

A. There is transshipment takes place in the West Indies. This is occasioned by the conditions of the ocean, namely, a bar on the coast of British Guiana, which is the controlling factor; so we send in a 10,000-ton vessel or something of that order. We are only able to load it approximately to one-half of its capacity. We have to take it out to an intermediate point where the cargo is topped at Trinidad.

Q. From there it is transported directly?



1 A. Yes, it is transported directly to Port Alfred
2 and brought up to Arvida, which we call our ore plant;
3 but the operation of Arvida refines bauxite to aluminum.

4 Q. Can you mention how the other raw
5 materials are transported?

6 A. Well, the second largest one we receive
7 is coke, and generally it is petrolaum coke. Natural-
8 ly our sources are related to the petroleum industry,
9 and at the present time we have sources in Edmonton
10 and in Moose Jaw. We also obtain a large percentage
11 in the United States, in Chicago. I think that tells
12 the principal sources. Again, it is a competing
13 material, and we have investigated a proposition such
14 as obtaining it from, say, Texas, where we can use
15 ocean transportation through the Gulf around the Atlan-
16 tic Coast to Arvida.

17 Q. How is it transported now from Saskat-
18 chewan and from Chicago?

19 A. It is transported by rail at the
20 moment.

21 Q. And from the Great Lakes area you said
22 Chicago and the Chicago area?

23 A. Yes. We transport the coke largely
24 by rail.

25 Q. Also from the United States?

26 A. That is correct.

27 Q. What is the third raw material you
28 use?

29 A. I would choose the pitch as the next
30 most important to us. We have diversified sources



1 for this pitch. We have for some time been conver-
2 ting to what is known in the pitch business as hard
3 pitch. It is a commodity not unlike coal and there-
4 fore can be handled as a bulk cargo. With earlier
5 types of pitch we had to use it in special types
6 of tanks. Now, this present cargo of hard pitch
7 is available from Sydney and Toronto and the Soo.
8 There may be other sources but those are the sources
9 we happen to be using under present circumstances.
10 Those, of course, are susceptible to being carried to
11 our smelters by water. We do not ship by water at
12 the present time.

13 Q. You always get it by rail at the present
14 time?

15 A. That is right.

16 Q. Is there any other raw material you get
17 by water or through water transportation?

18 A. Coal is one of the materials that we
19 purchase and it is an ingredient of the electric
20 furnaces required in the operation. The coal is
21 purchased on a delivered basis and hence we do not
22 directly pay the transportation costs, but of course
23 we do indirectly pay it and it comes in part by
24 water and in part by railroad but, generally speak-
25 ing, our source of the coal we require is the
26 United States, and so that is an international move-
27 ment.

28 Q. Through what route does it come to
29 you, the Atlantic or the Great Lakes route?

30 A. When it comes by vessel it would come



1 through the Atlantic route. I believe the loading
2 point is Baltimore.

3 COMMISSIONER WICKWIRE: Is it an anthracite
4 coal?

5 A. Yes.

6 MR. GERIN_LAJOLIE: Q. Now, coming back to
7 the transportation of bauxite, does your company own
8 any ships for the transportation of that material?

9 A. We do indirectly through our subsidiary,
10 Saguenay Terminals.

11 Q. Now, all this transportation, of course,
12 is international trade since it comes direct from
13 South America or the West Indies to the destination?

14 A. You have generalized there and I don't
15 think you are quite correct, if I may say so.
16 Pitch is a large item too.

17 Q. Yes, but I was referring only to bauxite
18 for the present.

19 A. Yes, you are quite right. That
20 would be international.

21 Q. That would be true of bauxite?

22 A. That's right.

23 Q. You mentioned that pitch at the pre-
24 sent time comes only by rail.

25 A. That is correct. I might correct
26 myself on that point, though, and say -- I have
27 concentrated a bit too much on the East -- I should
28 mention the Western situation which had escaped me
29 for the moment. We do receive pitch from the
30 United States for the Kitimat smelter. It comes



1 from California and the State of Oregon and that is
2 water-borne.

3 Q. I think I would be correct in stating
4 that that also would be international trade.

5 A. Quite true.

6 Q. So, am I right in saying that you don't
7 get any of your raw materials at present through the
8 coasting trade?

9 A. The fluorspar is the large one. You
10 have the brief concerning the fluorspar movement which,
11 as of the moment, approaches the order of 60,000
12 short tons a year. That, of course, is another im-
13 portant item to us.

14 Q. That is coasting trade, of course, coming
15 from Newfoundland to Port Alfred?

16 A. That is right. A second point I might
17 draw to your attention, which I haven't previously
18 mentioned, is that there are inter-plant transfers
19 within all Canada. Such movements would have a number
20 of materials produced at Arvida which are required
21 for the Kitimat operation. That is really an
22 inter-coastal thing.

23 Q. We have been talking up to the pre-
24 sent of the import of raw materials. As far as
25 that is concerned ---

26 A. That is an intermediate type of
27 material, if you wish to draw that difference.

28 Q. Would you come to this? To what
29 extent do you use coasting trade for the trans-
30 portation of that intermediate type of raw material?



1 A. Speaking apart from metal, that is the
2 shipment of the product, and speaking of these inter-
3 mediate chemicals, I would say that our inter-coastal
4 trade, that is from the East here, principally Arvida,
5 to Kitimat is the one at the moment of the most impor-
6 tance to us, but a further angle of our interest in
7 the coastal trade, speaking of this type of material,
8 namely chemicals, is that this chemical business of ours
9 is rather large and we of course are competing with all
10 other chemical producers in Canada. I am sorry I
11 couldn't tell you to what extent we use them at the
12 moment but it is entirely conceivable we could ship
13 some of the by-products of Arvida along the shores of
14 Canada in the Great Lakes to other persons who might
15 use them. I couldn't tell you at the moment if we do
16 that. I would not assume it is very large if we do
17 it.

18 Q. You mentioned your chemical production.
19 Do you produce any chemicals at Arvida?

20 A. We do, as by-products of our smelting
21 operation.

22 THE CHAIRMAN: Q. How is your Kingston
23 plant served?

24 A. The Kingston plant, the raw material,
25 sir, would be described as aluminum in that it changes
26 the form of the ingot to sheets and tubes and it is
27 served by rail and truck. Of course, we have on
28 occasions shipped the raw ingot from Arvida or Shaw-
29 inigan Falls by coastal vessels, which of course can
30 be handled at Kingston.



1 Q. That is the point I was referring to.
2 There is some but not much.

3 A. That is quite true.

4 MR. GERIN-LAJOIE: Q. Now, did I understand
5 you correctly -- I am not quite sure on this, Mr.
6 Graham -- to say that you don't use any coasting ship-
7 ping at present for the delivery of your finished
8 products, finished Arvida-type or the Kingston-type?

9 A. This happens to pertain to our own opera-
10 tion, but at Shawinigan Falls we make aluminum cable
11 which is used in transmission lines. Now, it so
12 happens that we have used coastal shipping to ship
13 from Shawinigan Falls via the Port of Three Rivers
14 around to British Columbia, some aluminum cable.

15 Q. You mean through the Panama Canal?

16 A. Through Panama. It is a deep-sea
17 operation but it is inter-coastal.

18 Q. Would that transportation be undertaken
19 by Saguenay Terminals?

20 A. I believe it was.

21 Q. From Shawinigan Falls or Three Rivers
22 only?

23 A. Well, Shawinigan Falls is isolated
24 from Three Rivers. You have to move it down the
25 river the twenty-six miles and move it from that
26 point.

27 Q. Now, as to your international trans-
28 portation from South America, the West Indies, is
29 it entirely undertaken by Saguenay Terminals? Or
30 are other companies involved or other ships?



1 A. No. I would say that Saguenay Terminals
2 concern themselves largely with the movement of bauxite
3 which is an extremely difficult problem. Certain
4 other items they carry for us if their ships are in
5 a position to and if their prices are competitive.
6 But we certainly do employ other steamship companies
7 for whatever we may have in mind. There is a mis-
8 cellaneous problem mixed in with this, it is an admin-
9 istrative thing, there is a good deal of administra-
10 tive work in the traffic field, as to ship^{-ping} maintenance
11 materials from the United States and from Canada to
12 our various installations in the world. Also, the
13 shipment of metal to the United Kingdom, one of our
14 principal markets, is undertaken by competitive lines,
15 not necessarily only Saguenay Terminals.

16 Q. Is Saguenay Terminals the only shipping
17 company which is a subsidiary or in which the Aluminum
18 Company of Canada has any interest, substantial
19 interest?

20 A. Yes, I believe that is so. I am sure
21 that is right. We own one or two small craft but
22 they don't amount to a shipping company.

23 Q. Are you in a position to tell the Com-
24 mission roughly what percentage of the whole trans-
25 portation business of the Aluminum Company of Canada
26 is done through Saguenay Terminals? That is in-
27 cluding international, of course, because that is a
28 major part of it.

29 A. I will have to have that question
30 again. You say the percentage. Speaking in



terms of tons?

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Q. Yes.

A. How did you want the answer?

Q. Well, in any way you wish.

A. What is the percentage of the Aluminum Company of Canada's ---

Q. Total shipping by water? That is incoming and outgoing shipping -- by water -- that is done through Saguenay Terminals.

A. That is a sort of hard one.

Q. Well, I don't want to embarrass you but ---

A. If I may have just one moment. If I could assume you wish probably to draw the conclusion that they do the majority, that would be true because, as I mentioned, we have six tons of incoming raw materials per ton of metal shipped, and the principal ingredient of our raw materials is our bauxite.

Q. You have mentioned, if I understood you correctly, that your bauxite was not all coming through the Saguenay Terminals. Is that right? You said that you used also competitive lines.

A. No, I possibly misled you in that. In connection with bauxite, Saguenay does carry all of it, but other people supply some of it on an f.o.b.-mine basis, shall we say. They supply the material but Saguenay Terminals carry it. I could only say that the majority of the total tonnage pertinent to our business would be carried by Saguenay Terminals, principally because the raw materials



are such a large portion of our business.

Q. Would Saguenay Terminals carry the majority of your outgoing shipping?

A. They carry more than half of it. No, excuse me. A definition of what you are saying, if I may ask again, is: Of those things shipped by water, what do they carry?

Q. That's right.

A. The answer would be more than half.

Q. May I ask again, Mr. Graham, what product you send to Kitimat through the international -- I am sorry -- the inter-coastal route?

A. First of all, you ask what product?

Q. Or raw material, whatever the term is.

A. Well, the product would be intermediately processed chemicals that may come to Arvida in a different form and be altered by our apparatus there, and then shipped around and used directly in the smelting process at the Kitimat smelter. I gave you the example of aluminum fluoride, which is a chemical product made from the fluor spar of Newfoundland. There are other items such as cryolite which we refine and recover from our operations, and we happen to supply Kitimat with a portion of their needs. The second interest we have in the movement from Eastern Canada to the Kitimat area would be in connection with the construction materials pertinent to the new smelter facilities as well as the electric power facilities, and also similar types of materials pertinent to operating such as nuts and



1 bolts, bars of steel, and aluminum sheeting for the
2 buildings and so on.

3 Q. Has this been a growing business? I
4 mean transporting from your Eastern plants to your
5 Western plant -- in the past few years?

6 A. Well, it certainly has. The operation
7 insofar as the Aluminum Company of Canada is concerned
8 prior to the Kitimat development was a very small
9 one in terms of ingot or other type of aluminum sales
10 in the Province of British Columbia, but with the ad-
11 vent of the smelter in the West we are quite dependent
12 upon, shall we say, flexibility in transportation, and
13 I would give you the figure of 30,000 tons of material
14 moved from the East to Kitimat in the construction
15 period, 1952 and 1953 -- I believe they would be the
16 two years concerned primarily when they built the
17 smelter as it now exists. Such items as steel,
18 aluminum and various machinery, cranes and items
19 of that nature.

20 Q. Could you tell the Commission to
21 what extent you believe that this movement is in-
22 tended or destined to be a permanent one as opposed
23 to one linked with the development period of the
24 Kitimat plant?

25 A. We find it economic to manufacture
26 these intermediate chemicals, such as the aluminum
27 fluoride, in a rather expensive apparatus we have
28 at Arvida. Hence I would say for some time the
29 Kitimat works would not set themselves up in such
30 items as the fluoride as an independent smelter



1 where they would take the raw fluor spar and process
2 it. That goes through certain other phases of the
3 smelting operation. Hence, I would say certainly for
4 some years and maybe for some time the economics will
5 be that we will continue to move our items from the
6 East to the West. And I might also say, as a matter
7 of assistance to you, that Kitimat's prime raw
8 material is a little different than our Eastern raw
9 material. The prime raw material for Kitimat is
10 alumina, and we happen to mine bauxite in Jamaica
11 and at that point refine it to alumina, and we do
12 transport from Jamaica through the Panama Canal this
13 raw material for the Kitimat works. Now, we are
14 committed to that movement which, you might say, is
15 a half of an inter-coastal movement, thinking of
16 North America. So I would say in the long-term
17 view we have every reason to believe that we will con-
18 tinue, that we, Alcan, will continue to be interested
19 in inter-coastal service and it will be important
20 to us, what it costs us.

21 Q. Will you tell the Commission whether
22 Saguenay Terminals carries any return cargo for
23 your company from the West Coast to the East Coast?

24 A. I would not think so. Not to my
25 knowledge.

26 THE CHAIRMAN: Q. What happens to the
27 ingots made in Kitimat?

28 A. Sir, we have so much ingot in the East,
29 if we had a demand in Eastern Canada, if that is
30 what the gentleman refers to as the East, then we



could more economically supply it from our smelters here.

Q. But what happens to the ingots? What do you do with them?

A. We have every hope of supplying them to the Far East, the United States, Central and South America, and to some extent to the United Kingdom and Europe.

Q. How is it transferred from the Kitimat plant to Vancouver? Isn't that a preliminary phase?

A. No, sir, I don't believe that is generally necessary. It depends a little on the shipping available. I could explain it to you this way. First of all, Kitimat has a port half a mile from the smelter. That port is a full deep-sea port and it is 80 miles from the ocean, but any type of vessel you wish to put in can be put in there. Therefore, if we have incoming or outgoing cargoes of any magnitude we can induce a ship to come in for a reasonable rate and deal with the matter. Alternatively, in connection with a movement from Vancouver -- excuse me, from Kitimat to Vancouver -- for example, if we had a small quantity such as 100 tons of metal, which is something in the order of some of our sales orders, say, to Japan, then we would have to move it down the Coast to put this small parcel with other cargo moving out of Vancouver rather than having a ship come in especially for it.

Q. Some time ago you shipped a whole shipload, the first one, from Kitimat.



1 A. Of aluminum?

2 Q. Aluminum ingots.

3 A. It was not quite a whole shipload, if I
4 recall correctly. It was quite a substantial
5 quantity. There was some publicity to a movement
6 that I think happened to be from Kitimat to New Jersey.
7 That came all the way around Panama and stopped in
8 New Jersey. Our New York market is a considerable
9 market. I believe that took place about one and a half
10 years ago. Generally speaking, we would never ship
11 a full cargo of metal. It is unsatisfactory from
12 the ship operator's standpoint.

13 MR. GERIN-LAJOIE: Q. Mr. Graham, could you
14 tell the Commission if the deepening of the St.
15 Lawrence Seaway is going to affect the operations of
16 your company in any way insofar as you can see it?

17 A. Yes, I think it will affect the opera-
18 tion. Two items come to my mind, but in a business
19 as complex as ours it is difficult to say what may
20 happen and especially in smaller tonnages than I can
21 readily think of. But to name two propositions, one
22 would be the coke. Now, I know I am talking about
23 an international movement as the coke supplied at
24 present happens to be generally from Chicago. But
25 we would look to the Seaway, the result of the Sea-
26 way's existence, and the ability of carriers to
27 use it, to reduce the cost of delivering coke from
28 Chicago to Arvida, that is to say to Port Alfred.
29 Now, this tonnage, the total tonnage of coke we use
30 at Arvida at the present time is approximately



300,000 short tons a year. So you can see the magnitude of that movement is of interest to us, to obtain the lowest possible freight rate regardless of whether we pay for it or whether it is on a delivered basis. It really doesn't matter.

The second item is in the opposite direction. That is on metal sales. We have found in shipping parcels of metal when we were able to do so, again internationally I refer to because the United States is a large market for us, whereas Canada is quite small in ingot. We ship to Canada mostly things like wire and sheet and plate, but ingot, the raw material, mostly goes to the United States or to the United Kingdom.

Now, in respect of the United States market, which, as you will well realize, is a large portion -- rather, a large portion of it is pertinent to the American side of the Seaway -- Montreal through to Chicago -- we look forward to very favourable and low rates for transporting ingot. I would suggest that it has been difficult in the last few years for us with the demand for our product to make shipments, but we do make shipments whenever possible and we are favourably impressed with the water rate, with the present vessels, and we feel with the Seaway and larger vessels coming that possibly some economy will be realized and we will achieve even lower rates on the outbound metal movement from our Eastern smelters to our American customers and, of course, as Canada grows we would hope to our



1 Canadian customers who may locate on the Great Lakes-
2 Seaway route or close enough to it for it to be fea-
3 sible to transport by water and haul it inland some
4 moderate distance.

5 Q. What do you mean when you say you are
6 impressed by the present water rates?

7 A. Well, when I say I am impressed it is
8 in comparison with other forms of transport which, of
9 course, resolve themselves into the railroad or, alter-
10 natively, truck.

11 Q. But still you don't use any water trans-
12 portation at present?

13 A. We do in respect of metal being
14 delivered. We do use it insofar as we can. And our
15 desire is to use it because we realize the economies
16 in that form of transportation. But, unfortunately,
17 I would say since 1948 when we had a slightly slow-
18 ing down of our business we have been over-sold
19 continually, and hence it has not been possible to
20 realize a certain saving in transportation because
21 of the overriding considerations of delivering the
22 metal to the customer as rapidly as it was produced.
23 In other words, we could not delay to accumulate
24 a shipload.

25 Q. Now, might I ask if the Aluminum
26 Company of Canada and its associated companies,
27 American companies, have any competition from other
28 aluminum producers?

29 A. May I ask what "associated American
30 companies" refers to?



Q. Well, Aluminum Limited or any subsidiary.

A. Aluminum Limited is a Canadian company with headquarters in Montreal. The only related association we have in the United States is a sales organization known as -- spelled in the English manner -- Aluminium Sales Incorporated. They happen to act as a sales facet of Aluminium Limited, and when the occasion arises for us to sell in the United States they are the people who look after our interests.

Q. I am sorry, I am afraid I had disregarded the development in the set-up of aluminum companies.

A. It is quite a complex affair.

Q. There is the Aluminum Company of America, is that correct?

A. That is correct.

Q. And producing aluminum in the United States?

A. Yes. It is an operation quite similar to ours. They do produce the raw aluminum and also make it into various fabricated forms like sheet plate, tube, and so forth.

Q. Are they also, to your knowledge, in the same position as the Aluminum Company of Canada is as regards the over-selling of their products for the past few years?

A. I am sorry, I didn't get the last part of your question.

Q. Are their aluminum products, manufactured products, over-sold as yours are in Canada?

A. I shouldn't be speaking for them.



Q. Well, as far as you know?

A. As far as I know from the papers, these are prosperous times.

Q. I am coming now to the question of the competition your company has to face. Is there any keen competition in the aluminum business, or can you answer this question in some manner?

A. Well, first of all, we are a Canadian company; although the sales to Canada have increased in recent years we remain more than eighty percent an international company in respect of our sales of metal. From what I have already mentioned you can realize we are an international company in buying raw materials also. But, in speaking of sales of the metal, we export more than eighty percent of all our products and roughly forty percent would be to the United States and forty percent to the United Kingdom. A miscellaneous percentage would be made up in items to the other markets of the world. I would say that we are highly competitive in all these markets. To name one would be, say, the European market. We sell to all European and Mediterranean countries. A there are many producers of aluminum and aluminum products in that area. Hence, we certainly do compete with them. And it is self-evident that they have different wage scales and different living conditions than we have, and we are in direct competition with these people.

Q. Now, I should like to have clarification on a final point. That is the difference in



1 the cost of transportation for your company from the
2 East to the West as between the water transportation
3 through the Panama Canal and rail or truck, if you
4 use it, transportation from the East to the West.

5 A. What was the first part of the question
6 again, please?

7 Q. How do the rates of transportation of
8 your own goods compare?

9 A. Well, we find them favourable because we
10 would use other carriers if we did not find them
11 favourable. We, at the same time, negotiate rates
12 where we think it is appropriate to use other carriers
13 and, as far as the Aluminum Company of Canada is
14 concerned, we will use the lowest cost method of trans-
15 portation to us, and that is what we do use. So I
16 think it follows that such movements as do transpire
17 between the East and the West by water are at a lower
18 cost to us than any other means we have presently at
19 hand.

20 Q. Now, may I ask if you have ever had the
21 opportunity to discuss rail rates with the railway
22 companies?

23 A. Oh, yes, quite frequently. We deal
24 with them all the time.

25 Q. Have you used their services for west-
26 ward transportation in the past few years? That
27 is, from the East to the British Columbia Coast?

28 A. We certainly have.

29 Q. To what extent as compared with the
30 transportation through the Panama Canal?



1 A. You would like a dollar figure?

2 Q. Dollar or volume. Volume, I should
3 like.

4 A. That is tons by rail from the East to
5 the West versus tons by water. I would say -- I
6 mentioned earlier the sum of 30,000 tons. I happen
7 to know that figure because we had to do some planning
8 on it in the first place, and I know that figure was
9 realized. I would say that the 30,000 tons by water
10 has now increased to something like 40,000 tons over
11 the period of the Kitimat development to date, and I
12 would say that certainly the rail amount out there,
13 that we have shipped out there, is vastly less.

14 I am trying to think of what products we shipped,
15 to try to estimate the tonnage. It is mostly higher
16 cost items and some raw materials. If I make an
17 estimate of 10,000 tons I should think that would
18 give you the order of things between rail versus
19 what has gone by sea.

20 Q. Yes.

21 A. Over the period of time since we
22 started Kitimat, which was in the general period of
23 1951. The tempo has increased over the intervening
24 years.

25 Q. Would you use rail transportation
26 only insofar as water transportation or facilities
27 are insufficient? Or would there be other prin-
28 ciples guiding your policy?

29 A. No. Of course, there are other
30 principles guiding it. Construction demands



1 sometimes, unfortunately, force us to use uneconomical
2 transportation because other considerations override.
3 I will give you the recent example of a shipment
4 from England of some machinery pertinent to the new
5 construction, and it was just impossible to wait for
6 the ship to take it around to the Western coast, and
7 so we had it brought into Montreal, transshipped to
8 rail and moved outward. That was at greater cost
9 but it was to save the delivery time to meet the con-
10 struction problem.

11 Q. Now, would you be in a position to tell
12 how the rate for transporting by rail a particular
13 quantity of a particular goods compares with the
14 rate by water?

15 A. Well, I have already indicated that
16 we find the water rate more favourable. Of course,
17 you will realize that we have to take into account
18 all that is concerned with water. That is the water
19 rate on, say, an f.i.o. -- a free in and out basis --
20 is rather low compared to the rail rate, if you
21 were to compare those directly, but associated with
22 a water movement is the problem of accumulating a
23 cargo at the source, moving it to the port, handling
24 and loading at the port, and subsequently, of
25 course, discharging the cargo. All those factors
26 we take into consideration to make a total sum of
27 the cost, so-called, by water, although it is really
28 sort of land-water-land. We compare that total
29 figure with our total rail rate, and the net re-
30 sult of taking in all those factors is that it is



lower.

1 Q. Could you figure out for the Commission
2 the cost to your company of transporting from your
3 plant in Arvida a ton of a particular goods to your
4 plant in Kitimat? And do the same with water trans-
5 portation?

6 A. I imagine I can get those figures to-
7 gether, yes, because we make a variety of comparisons.
8 If you don't particularly care what example we give,
9 if you just wish an example of something that has
10 happened or is likely to happen, I can give you that.

11 Q. Yes. Of course, with the same product
12 and the same conditions. The same product, anyway.

13 A. Oh, yes.

14 Q. Taking a ton of a particular product
15 and comparing the cost from your plant in Arvida to
16 your plant in Kitimat.

17 A. Yes.

18 Q. Could you send this in writing to the
19 Secretary of the Commission?

20 A. Yes, I believe I can prepare that.

21 Q. That is all, Mr. Chairman.

22 COMMISSIONER WICKWIRE: Q. Mr. Graham, in
23 the first paragraph of your brief you indicate the
24 location of your present plants were sited because
25 of the lowest method of handling the various commodi-
26 ties in and out of the Saguenay and St. Lawrence.
27 I will read it to you:
28

29 "It is a well-known fact that the location

30 "of these and similar operations is the



1 "result of studies made to determine the
2 "lowest cost method of handling various
3 "commodities both in and out of the Saguenay
4 "and St. Lawrence Rivers, the Great Lakes
5 "and British Columbia areas."

6 A. Yes, I recall that sentence.

7 Q. Wouldn't the power have a great deal to
8 do with it, too, the availability of power?

9 A. Yes, sir. It is entirely true to say
10 that one of the very large factors in our business,
11 which is basically the smelting of aluminum, is
12 power and the cost of it. But I would say that it is
13 difficult to assess the total transportation bill
14 in an organization or an operation as complex as ours,
15 but I am reasonably sure that our cost of transpor-
16 tation, all things considered, is more or less in
17 the order of the cost of power. And with the ton-
18 nages that we move, as I have explained, it would be
19 quite foolish for us to locate a large smelter at,
20 we will say -- well, as I understand the situation,
21 shall I say Hamilton Falls. I am speaking of my
22 own opinion in this matter. But I am trying to
23 cite a geographical location that would be rather
24 unhandy for bringing in raw materials. And I think
25 if you examine our various installations around the
26 world and also, of course, our Canadian ones which
27 I have noted, they have given great consideration
28 to the factor of transportation, and not only of
29 transportation in a single form but also, of course,
30 in the matter of competitive transportation.



Q. In paragraph 2 you say that your ex-

perience is that increased restrictions result in increased freight rates. It has been suggested to us with the deepening of the St. Lawrence Seaway that transportation on the Great Lakes will be done by bigger and better ships.

A. Yes, sir.

Q. Much more efficiently operated, much more efficient ships, and that by reason therefor the cost of transportation will be reduced because there are a great number of shipping companies on the Lakes. I am including the St. Lawrence River in the definition of Great Lakes. I would like to have your views on that.

A. Well, basically we feel that the competitive transportation position that we find ourselves in, that is to say which we put ourselves in by the calculated location of our organization and its works, has led us to have transportation costs which, in general, have been within reason. We feel that within Canada there are many of our movements where we have water, rail and truck involved. We feel that, unlike certain areas in the United States, that may be somewhat removed from water, that the rates at which we move our commodities are largely governed by water. And to our particular view of running our business in as economical a fashion as we can, we look upon with favour the existence of competing forms of transportation. We feel with the Seaway -- and, as you say, the larger



vessels -- that it will follow that such a commodity as we are interested in, in large tonnage, coke from Chicago is the best example I can give you where there is a large tonnage involved, that we should obtain a more favourable transportation cost.

Now, whether we actually employ one form of transportation or another is difficult for me to say, but we do feel that the competitive factor, through the existence of a Seaway and ships larger than can now use the Seaway, will be to the benefit of our company. If additional restrictions are not applied, that may hamper the present conditions.

Q. But people advocating restrictions say after the completion of the Seaway, provided the Great Lakes area is restricted to Canadian ships, that there will be a reduction in the cost of transportation by reason of the more efficient vessels.

A. Yes.

THE CHAIRMAN: I quote from a brief filed here on that point:

"We have no hesitation in saying that after
"the construction of the Seaway there will
"be substantial reduction in the actual
"cost of transporting some of the bulk
"freight which at present has to negotiate
"the existing St. Lawrence Canal System
"because ships of 12,000 long tons and larger
"will be used instead of, as at present,
"ships of about 2500 long tons. Trans-
"shipment particularly of grain at inter-



"mediate points will be unnecessary."

1 Now, that brief was filed on the basis that the res-
2 triction sought by this interest will go into effect.
3 That is repeated, I think, in at least three briefs.
4

5 A. Sir, I have read the remarks in question
6 or ones that are similar, and I would certainly take
7 no issue with those remarks and I think it follows
8 that such should be true, but may I suggest that with
9 further restrictions yet and more efficient vessels
10 in the Canal System, that these more efficient vessels
11 could offset the restrictions and we could be in a
12 better position than we find ourselves today.

13 But would that be as economical a position as we would
14 find ourselves in if the same new efficient ships
15 were constructed and utilized and we had the bene-
16 fit of competition as is present and possible under
17 present regulations?

18 COMMISSIONER WICKWIRE: Q. Your position is
19 that it might be even more economic not to restrict?

20 A. That's right.

21 Q. That while there might be some saving
22 there wouldn't be as much saving as there would be
23 otherwise?

24 A. That is my view, yes.

25 THE CHAIRMAN: Q. Have you considered
26 the question of availability now with your tide
27 ships, at the Saguenay Terminals, that they will be
28 where they are told to be -- they are yours --
29 but you are looking forward, you say, to the use
30 of other shipping companies.



1
2 A. That's right, sir, where they are more
3 economic.

4 Q. On sporadic instead of regular trips?

5 A. It may be by contract if they are in a
6 more favourable position.

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1 THE CHAIRMAN: Q. If those ships are United
2 Kingdom ships and there are no Canadian ships
3 available, what will your position be when they are
4 not here, when they are not in the Great Lakes-
5 St. Lawrence area, when they might be travelling
6 between Japan and Australia, at a profitable rate?

7 A. I would not for a moment suggest that
8 our company be vindictive in this matter, but,
9 for instance, we do ship a tremendous amount of
10 metal outbound to United Kingdom and I think the
11 United Kingdom, as a whole, are interested in
12 receiving our goods, and if we found a problem in
13 shipping, we could discuss the matter with them
14 and it is conceivable that some pressure could
15 be brought to assist us.

16 We have always found them co-operative in
17 past years because of the interest they have in
18 our problem. I would not view your suggestion,
19 as I understand it, as too serious a consideration
20 for our company; it might be for someone else.

21 I can only say that in recent years we have
22 not had a problem in our basic raw materials,
23 in having them delivered.

24 Q. Well, that is by your own company,
25 or by rail?

26 A. Well, sir, I think you were referring
27 to international movements, such as South America,
28 where rail could not get into it.

29 Q. No, no, I was referring to the movement
30



1
2 you spoke of in delivering your products, either in
3 the coasting trade or in international trade in
4 the Great Lakes, and I was pointing out to you it
5 is highly probable that if the shipping interests
6 are not protected there will not be Canadian ships
7 available and then you will have to turn to United
8 Kingdom ships, and they might be here and they
9 might be in the South Pacific. Now, you think you
10 are big enough to get someone in the United Kingdom
11 to send privately-owned ships to carry your goods?

12 A. Sir, don't make my point too strong there.

13 Q. Well, I am just paraphrasing what you
14 said.

15 A. I think our interests in the United
16 Kingdom in metal supply have been in the common
17 interest. Now, to answer your question as to the
18 position we find ourselves in, should there be
19 no Canadian ships in Canadian waterways and also
20 no U. K. ships, we can state we can move by
21 other forms of transportation; that is the first
22 problem to be overcome in keeping the operation
23 moving. It would be an unhappy situation, without
24 doubt, but it would not stop us operating.

25 Q. I see. You have available, at a
26 higher cost, rail transportation, which, as a
27 matter of fact, you use chiefly now?

28 A. That is correct, sir, but in our view
29 the competition that exists, as I have mentioned,
30 has resulted in the railroads considering these



1 matters and on many occasions putting up a
2 competitive rate which we have found attractive
3 to use.

4 Q. Yes, but that potential competition
5 would exist with restriction.

6 A. I agree, sir, it would. The question
7 in our minds is as to what degree would it be as
8 strong a competition as exists under the existing
9 laws. I believe that is our basic fault.

10 Q. Well, now, for the very movement at
11 the present time is there any potential competition
12 other than the Canadian? Supposing you are
13 shipping to Chicago, or from Chicago, and, of
14 course, that can be done by U. S. ships.

15 A. Yes, it could be.

16 Q. So apart from U. S. and Canadians,
17 what competition is there at the present time?

18 A. I am a bit lost as to exactly what
19 point you are speaking to, sir.

20 Q. I am dealing with shipments you say
21 you occasionally use water on now and that you want
22 to have the water competition available. I pointed
23 out to you that the water competition was now
24 available and would continue to be available, in
25 other words, Canadian ships, and if it is
26 international trade, then American ships, of which
27 there are quite a few hundred. Now, in addition
28 to that, does there exist today in the U. K.,
29 does there exist any U. K. competition which you
30



1 count on as being a factor which controls the rate?

2 A. Yes, sir.

3 Q. Does it exist?

4 A. Yes, sir.

5 Q. Where is it? There is only five per
6 cent of it and if you detract from that the bulk
7 shipments of coal from the source at Sydney to the
8 Montreal markets, you have very little left.

9 A. In tonnage, that is probably true.

10 Q. And then the Great Lakes, Newfoundland,
11 British ships and what else is there? Of course,
12 I agree with you that with the Seaway there
13 will be a very different condition; there
14 will be a 27 foot channel and much more
15 attractive for U. K. ships, but at the present
16 time what I suppose you want is that the
17 competition which does not now exist be allowed
18 to come in and to hold on to the rates. There
19 is nothing wrong about that.

20 A. You are pointing out that all the
21 laws permit this to occur but it does not occur
22 in any measure. I am sorry. I took a while to
23 get your point.

24 It seems to me that the laws tdo exist
25 and work to our benefit and good in the operation
26 of our business, shall I say, and we wish to
27 continue in the same fashion as we have been
28 doing.

29 THE CHAIRMAN: Mr. Simard?
30



1 MR. SIMARD: Q. Arthur Simard, Marine
2 Industries Limited.

3 Do you sell your aluminum F.O.B. plant or
4 F.O.B. delivery point?

5 A. We sell it F.O.B. our smelters, but
6 the product is allowed to---

7 Q. You sell at the same price at Three
8 Rivers as you would sell at Hamilton?

9 A. That's right.

10 Q. And that means that the difference
11 in transportation means a lot more to you than
12 to the customer?

13 A. You asked the question, does the
14 difference in transportation, of delivery, mean
15 more to us than to the customer?

16 Q. No, I say if your price of ingots
17 at Three Rivers is the same as at Hamilton,
18 then you have -- the cost to the aluminum company
19 is much greater at Hamilton than it is at Three
20 Rivers, so if there is a change of rate it is
21 the Aluminum that will make a saving or foot
22 the bill?

23 A. You can put that argument and I could
24 not disagree.

25 Q. No, this is not an argument.

26 A. I will agree with your statements
27 when your statement pertains to delivery of
28 aluminum metal, but I state the case that aluminum
29 metal is by no means the only item that affects us
30



1 in our business, and I have given before, today, the
2 approximate ratio of six tons of raw material as
3 to a ton of metal.

4 Q. But this same thing does not apply for
5 U. K.?

6 A. In other words---

7 Q. Your price of aluminum ingot is not
8 the same for U. K. as domestic price?

9 A. There is a difference.

10 Q. Lower in the U. K. than in Canada?

11 A. It varies with competitive situations.
12 At the moment I don't have the figures translated
13 into Canadian cents.

14 Q. Would you mind giving the Commission
15 the price or percentage basis of aluminum to U. K.
16 as compared with the domestic market?

17 THE CHAIRMAN: Q. Do you say you take the
18 aluminum to the United Kingdom and sell it more
19 cheaply than you do in Canada?

20 MR. SIMARD: That is what he said, sir.

21 A. I would like to reserve my answer, sir.

22 THE CHAIRMAN: Q. You agreed a moment ago.
23 Why are you becoming doubtful now?

24 A. Did I tell you the exact number of
25 cents it was sold at in England?

26 Q. No, I am simply asking whether it is
27 less or more and Mr. Simard put to you a proposition
28 with which you agreed, that the price you sold the
29 aluminum for in England was less than in Canada,
30 and I was struck by your agreement and I wanted to



1 be sure that my ears were hearing right.

2 A. I could not have made myself so
3 positive as that, because I cannot give you the
4 specific figure. I have the Canadian figure and
5 the price at which we sell in the United States and
6 it would be easy for me to obtain the English pounds.

7 COMMISSIONER WICKWIRE: Q. Has the volume
8 anything to do with it, Mr. Graham?

9 A. No, I believe we sell bigger quantities
10 of a standard characteristic at a certain price
11 which we change from time to time with market
12 conditions, but it is generally stable for some
13 months.

14 THE CHAIRMAN: Q. You are competitive in the
15 United Kingdom and in the United States; that is,
16 you meet the competition?

17 A. That is right, sir.

18 Q. Is that competition able to come into
19 Canada?

20 A. In some finished products of aluminum
21 we have found them shipping into Canada, but
22 generally, because of the tariff, I believe it
23 has been untenable for them to do so, except in
24 cases of shortage.

25 Q. Does this sale at cheaper rates --
26 does it sell at cheaper rates in the United
27 Kingdom than Canada?

28 A. It does from time to time, sir.

29 Q. And that is actually by virtue of the
30



1 tariff in Canada?

2 A. I have jumped from the States into
3 England, sir.

4 Q. I want to know whether you are protected
5 by tariff in Canada?

6 A. My understanding is that we are, and I
7 refer to certain intermediate products. I can
8 think of a type of tubing that is of interest
9 to some of our people in Western Canada and there
10 was some competition. A question came up a while
11 ago on that one, but I don't know whether the
12 American supplier was ^{able} to land it in Canada at a
13 lower cost than we could or at a certain cost which
14 just happened to meet the needs of the customer.

15 COMMISSIONER WICKWIRE: Q. Is the tubing the
16 only item on which you have tariff protection?

17 A. I'm sorry, sir, I just happen to know
18 that as a specific instance.

19 Q. Can you obtain that information and
20 send it to us?

21 A. Would you like a list of all items
22 of aluminum that we are protected on?

23 Q. On which there is a customs tariff.

24 A. I will see if I can obtain it.

25 MR. MUNDELL: Could you include in that
26 a reference to the tariff item, so we can refer
27 to it?

28 THE CHAIRMAN: I'm sorry, Mr. Simard, we
29 interrupted you.

30 MR. SIMARD: Q. Now, I think the Commission



1 will be interested to know the ton-mile cost of your
2 water transportation. I think you have all those
3 figures, the Aluminum Company has them, being so
4 vast, and you probably have your ton-mile cost
5 for your water transportation, let us say from
6 Arvida to the U. K. and from Arvida to other points
7 in Canada and the United States, and are the rates
8 the same on these? Do you have different rates?

9 A. Well, we seem to be beyond coastal
10 shipping, but do you say, sir, that I should
11 answer this question about rates from Canada to
12 the United Kingdom?

13 THE CHAIRMAN: What concern is that to the
14 Commission? It may be your concern, Mr. Simard,
15 but is it of concern to the Commission?

16 MR. SIMARD: It is to see whether their
17 ton-mile cost is the same and how does it compare,
18 is it so much out of the range in Canada, as
19 compared to the ton-mile cost in international
20 trade.

21 MR. MUNDELL: I might say, Mr. Chairman, if
22 I might join in, that it might be useful to have
23 the ocean-going ton cost figures. We have been
24 trying to obtain them and next week some figures
25 will be sent on that basis as a method of com-
26 parison with coastal trade interests.

27 THE CHAIRMAN: And any available reference
28 to the protection of tariff on coasting trade and
29 international?

30 MR. MUNDELL: That is right.



1 THE CHAIRMAN: All right, on that basis.

2 MR. GRAHAM: May I be clear, now? Am I to
3 answer the question?

4 THE CHAIRMAN: Yes.

5 MR. GRAHAM: Well, then I will have to do some
6 calculations, to be of use to the Commission, if I
7 may.

8 MR. SIMARD: Q. Yes, I don't want an answer
9 right now.

10 A. I would not want to compare two unlike
11 situations. Do you have a specific suggestion
12 as to what I compare, because, after all, our
13 shipments from Canada to England -- we do not
14 ship at the moment to the West Coast, the market
15 being rather small.

16 Q. Well, I could not tell you what figures
17 you should present. It is from figures you would
18 have in order to give the Royal Commission
19 enlightenment, so that they will have points of
20 comparison.

21 A. Then I will have to give some thought
22 to the matter to be of use to the Commission.
23 It might have to show rates on a small cargo inland
24 versus a large cargo trans-ocean.

25 MR. MUNDELL: I suggest it might be of
26 advantage to have an average figure rather than a
27 figure in relation to any particular shipment,
28 Would you be agreeable to that?

29 MR. SIMARD: It is for the Commission.

30 MR. MUNDELL: An average figure over some



1 months.

2 MR. GRAHAM: I would be pleased to give you
3 an average figure, as long as we do not have --
4 as long as we don't think we are getting on dangerous
5 ground. Do I understand you to have named a
6 commodity?

7 MR. MUNDELL: Q. An average on your ingots.

8 A. We could undertake to do it on that
9 basis.

10 Q. For some representative six-months'
11 period.

12 A. Yes.

13 MR. SIMARD: Q. Is the Aluminum Company
14 on coasting trade?

15 A. Yes, it is.

16 Q. It is on coasting trade?

17 A. It is on intracoastal.

18 Q. No, coasting trade, from a port of
19 one country to another port in the same country.

20 THE CHAIRMAN: Intercoastal is what he has
21 been describing, from Arvida to Kitimat.

22 MR. GRAHAM: That is what I understand as
23 intercoastal.

24 MR. SIMARD: Q. Without any stop at U. S.
25 ports.

26 A. I am not aware that stopping at
27 U. S. ports has much to do with it.

28 Q. Well, if you stop at the U. S. port,
29 you are on international trade.

30 THE CHAIRMAN: Only for the portion of his



6
1 cargo that he unloads there.

2 MR. SIMARD: I understood that the witness
3 mentioned intercoastal and mentioned about a ship-
4 ment from Kitimat to New Jersey a year and a half
5 ago, and in this coasting trade some people sometimes
6 just think of two ports, from a Canadian port to
7 a U. S. port, as intercoastal, but not coasting.

8 MR. GRAHAM: My answer was to the Chairman's
9 question, did any such movement occur, and was I
10 aware it was an international movement?

11 MR. SIMARD: Q. You did not take it as an
12 intercoastal movement?

13 A. No.

14 Q. Are the Saguenay Terminal ships of
15 Canadian registry?

16 A. If I may suggest it, I think it would
17 be better to have that question answered later.

18 Q. Do you get all your fluorspar from
19 the mine in Newfoundland?

20 A. We have until recently, when we have
21 obtained some from other sources.

22 Q. From Mexico?

23 A. I believe that is correct.

24 Q. Only on account of a rate basis?

25 A. We naturally take into account the
26 total delivered costs to Kitimat and I am not
27 aware of all of the problems concerned, but I
28 know the transportation is a considerable factor
29 in the question of whether we can economically
30 purchase it elsewhere.



1 Q. But are those mines completely
2 independent from the Aluminum or is the Aluminum
3 interested indirectly in one or all of those
4 mines?

5 A. We have an interest in the Newfoundland
6 fluorspar company but not in the others.

7 Q. And you buy from Mexico because on a
8 total cost you get it cheaper from Mexico than
9 one here in Canada where you have an interest in
10 it?

11 A. I believe we are able to purchase from
12 Mexico at a competitive cost and I believe the
13 consideration is a normal one of our company,
14 to acquire more than one source for a given raw
15 material.

16 COMMISSIONER WICKWIRE: Q. It is the Mexico
17 fluorspar that is going to Kitimat?

18 A. Yes, sir.

19 Q. The fluorspar used here in Eastern
20 Canada still comes from Newfoundland, is that
21 correct?

22 A. That is my understanding of the arrange-
23 ment, sir.

24 MR. SIMARD: Q. Is that only recently,
25 or do you still have all your fluorspar from
26 Newfoundland?

27 A. We will still take from Newfoundland
28 all the fluorspar required at Arvida. I simply
29 point out that the Aluminum Company of Canada,
30 in the operation of its Western smelter, happens
to have this other source.



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1 MR. SIMARD: How is the fluor spar from New-
2 foundland to Arvida carried?

3 A. It is carried by ship and it is loaded
4 directly or in very close proximity to the Newfound-
5 land fluor spar mine, and it is delivered to Port
6 Alfred and transported to Arvida.

7 THE CHAIRMAN: Q. By what ship?

8 A. I have the detail with me if you wish to
9 know. I believe they have been all United Kingdom
10 registry ships.

11 MR. SIMARD: Q. When you mention that
12 material from Arvida or from Shawinigan, is it on a
13 permanent basis or only to prepare Kitimat to come
14 into full operation? Is it a temporary, spasmodic
15 situation, and can we expect it then to carry on and
16 on what percentage?

17 A. I believe in part a similar question
18 was asked earlier this morning, and my answer was
19 that until the Kitimat operation becomes rather
20 larger than it is now, in my opinion it is quite
21 unlikely that we should put in these sort of auxil-
22 iary chemical plants to manufacture these other
23 chemicals, and hence I would assume that, for some
24 years to come and maybe a substantial number of
25 years, they will continue to move some of these
26 chemicals for operation.

27 Q. Have you got any idea of the time to
28 move the facilities, what means it will take?
29 If I may put my question differently to speak of
30 what you are talking about there, cables, trans-



1 mission and ---

2 A. I see what you are driving at. I think
3 you can reasonably separate them with what you would
4 call construction material versus operating. Speaking
5 only on the matter of operating material, I would
6 think that the operating material to Kitimat from the
7 East when Kitimat is larger than now and towards its
8 full development, would be very usable and substantial
9 tonnage, shall I say.

10 It is not two or three thousand tons. It may
11 be ten or twenty thousand tons or something of that
12 order.

13 Q. It may be in the vicinity of ten or
14 fifteen thousand?

15 A. I mean we have to decide what we are
16 talking about as to the size of Kitimat naturally. I
17 just point out it is not 100 tons now and it is going
18 to be 1000 tons a year later. The quantities are
19 larger than that.

20 Q. Who brings your coke of the Aluminum
21 Company to Arvida?

22 A. It is supplied from Canada. Edmonton
23 and Moose Jaw. It is also supplied from United
24 States points. It is now brought to the eastern
25 smelters of Arvida and Shawinigan by rail and to
26 the West ---

27 Q. Who brings it? I know you get it
28 there.

29 A. It is by railroad.

30 Q. Your coke does not come by water



1 transportation?

2 A. It does not come, no; not at this time.

3 Q. Do you expect to use the water trans-
4 portation when the Seaway is completed?

5 A. Our considerations at that time would
6 be the same as our considerations today; whatever
7 is the most economical to us is the mode of trans-
8 portation we will use.

9 MR. SIMARD: Thank you very much.

10 THE CHAIRMAN: Thank you, Mr. Graham.

11 MR. GRAHAM: Thank you, sir.

12 THE CHAIRMAN: We will recess for ten
13 minutes.

14 ---The hearing recessed at 11.45 a.m.
15

16 ---The hearing resumed at 11.55 a.m.

17 THE CHAIRMAN: Yes, Mr. Mundell?

18 MR. MUNDELL: The next brief, Mr. Chairman,
19 is Saguenay Terminals Limited and Mr. Baatz is
20 appearing on behalf of the company.

21
22 SUBMISSIONS OF SAGUENAY TERMINALS LIMITED

23
24 ---Mr. W. Baatz appearing.

25 MR. MUNDELL: I think you can assume, Mr.
26 Baatz, that the Commission has read the brief,
27 which is B-62. If you have anything to add or any-
28 thing you wish to emphasize or amplify would you go
29 ahead now? Firstly, can you give your position
30 with the company?



1 A. Treasurer.

2 Q. Of Saguenay Terminals Limited.

3 A. Of Saguenay Terminals Limited. We are
4 quite satisfied to stand upon our submission as made
5 and we are just here prepared to answer any questions
6 that might arise.

7 Q. I will start with the questions now.

8 Are you a Canadian incorporated company?

9 A. Yes.

10 Q. Federal or Provincial?

11 A. Provincial, a Quebec Provincial company.

12 Q. I understand you are wholly-owned by
13 the Aluminum Company of Canada?

14 A. That is correct.

15 Q. Can you give to the Commission an out-
16 line of the operations of your company, just a sketch
17 at this time. In the first place, I might shorten
18 this: Do you do any non-shipping business? Do you
19 carry on any non-shipping operation?

20 A. Yes. The company operates the port
21 of Port Alfred.

22 Q. Maybe you should go ahead and describe
23 the operations.

24 A. The company is organized into two
25 divisions. One division operates the port at
26 Port Alfred on the Saguenay River, and the other
27 division operates the steamships which are essen-
28 tially deep-sea navigation operation.

29 Q. You say they are essentially a deep-
30 sea navigation operation?



1 A. Yes.

2 Q. Is there any coasting trade carried on,
3 say, on the East Coast, leaving inter-coasting out
4 for the moment.

5 A. Yes, we have to engage in some coastal
6 operating.

7 Q. By "coasting" do you understand what I
8 mean by "coasting"?

9 A. Yes, between one port in Canada and
10 another port in Canada. We have done such operations.

11 Q. Do you operate any service, say, between
12 Newfoundland and Quebec?

13 A. No, we do not operate any regular ser-
14 vice of our own, but we have engaged in movements be-
15 tween ports in Canada on an occasional basis, bulk
16 cargoes.

17 Q. What kind of commodity would you move?

18 A. Fluor spar is the outstanding movement
19 from Newfoundland to Port Alfred.

20 Q. And anything else?

21 A. Yes, I think we may have carried
22 some coal from Sydney to Montreal, as an example.

23 Q. And what other sort of things, or are
24 there any commodities of any proportions that you
25 have carried on this basis, this casual basis?

26 A. I am sorry. Are you asking for
27 tonnages or for commodities?

28 Q. I am just asking you -- you have men-
29 tioned fluor spar and coal.

30 A. Yes.



1 Q. Have you other things?

2 A. Not that I can recollect just at this
3 moment.

4 Q. What coasting operations do you carry
5 on? You carry on inter-coastal operations?

6 A. Yes, we have a regular inter-coastal
7 service.

8 Q. How regular is that service?

9 A. At the present time, perhaps once a
10 month or once every five weeks or so.

11 Q. What is the point of origin and destina-
12 tion?

13 A. Starting in Montreal from the eastern
14 side with calls, perhaps, at Maritime ports and going
15 right through to Vancouver and to Kitimat.

16 Q. What kind of cargoes do you carry on
17 that?

18 A. Oh, a fairly wide variety of cargoes, I
19 would say.

20 Q. Take westbound first.

21 A. Taking westbound, we might have as
22 many as one hundred different commodities in service.
23 The principal ones being, say, canned goods, steel,
24 wood products, some of our own group company require-
25 ments for Kitimat, too.

26 COMMISSIONER WICKWIRE: I am sorry. Your
27 voice sort of trailed off. I did not hear the end
28 of your answer.

29 A. Some of our own group company commodi-
30 ties as well.



1 MR. MUNDELL: Q. What would be included in your
2 group company requirements?

3 A. Well, the chemical products which Mr.
4 Graham has already mentioned. I am really not too
5 familiar with all the others.

6 Q. You are prepared to carry it if it ar-
7 rives?

8 A. We carry them on the larger part of our
9 cargoes.

10 Q. You do not go beyond Montreal, or do you
11 go to Kitimat?

12 A. Yes, we do go to Kitimat, not with every
13 ship. It is a matter of inducement and economics, but
14 we do go to Kitimat.

15 Q. In addition to this Eastern Seaboard
16 coasting trade and this inter-coastal trade, what are
17 the other operations of the company?

18 A. Our principal operation is the movement
19 of bauxite from South America to the Saguenay River.

20 Q. How is that controlled? Is that
21 scheduled or is it just for production requirements
22 or something?

23 A. Well, it is very carefully scheduled
24 just to meet production requirements. It is sched-
25 uled so that as to guarantee a steady, year-round
26 production at the mines in South America. It is
27 scheduled so as to take care of the winter season
28 when the waters are frozen up here. It is scheduled
29 so that the topping off station in Trinidad is
30 properly organized and supplied with materials for



1 the topping off of ships which are partly loaded at the
2 mines. There is quite a scheduled job involved.

3 Q. Are the ships you use on this non-coastal
4 trade and the ships you use on the coastal trade inter-
5 changed?

6 A. Some of them. As you know, the ships we
7 can use on inter-coastal trade are only ships of a
8 certain type. We certainly use, in the bulk of our
9 operations, many ships which are not eligible for
10 coastal or inter-coastal trade.

11 Q. When you say on the inter-coastal trade
12 only certain ships are used, what do you mean?

13 A. Well, the inter-coastal trade is part of
14 the coasting trade of Canada. We can only use the
15 types of ships which are eligible for coasting opera-
16 tion.

17 Q. You are not talking about the type of
18 trade. You are talking about the registry.

19 A. Flag and so on.

20 Q. What proportion of your total produc-
21 tion would be represented by coasting and inter-
22 coastal trade, and what part would be what you may
23 call international trade?

24 A. In terms of tonnage, I would say that
25 non-coastal is perhaps as much as 98 percent.

26 Q. In terms of tonnages?

27 A. Yes.

28 Q. That would be almost entirely bauxite?

29 A. No, that would be bauxite, alumina
30 from Jamaica to Kitimat, metal from Canada to over-



1 seas destinations, and other bulk movements that we
2 undertake for other people not connected with our own
3 industry.

4 Q. You carry on a sort of general shipping
5 business?

6 A. Oh yes, quite a general shipping busi-
7 ness.

8 Q. As well as for the Aluminum Company of
9 Canada?

10 A. That is right,

11 Q. May we come to the type of vessels you
12 use in these various operations? What vessels do
13 you use -- I am speaking of registry -- what vessels
14 do you use in the international trade? Are they
15 owned by your company or chartered?

16 A. We use twelve vessels that we own and
17 perhaps as many as seventy vessels that we rent.

18 Q. What registry are the twelve vessels
19 that you own?

20 A. They are all on United Kingdom regis-
21 try at the present time.

22 Q. What about the other seventy that you
23 charter?

24 A. The other seventy are partly United
25 Kingdom and partly Norwegian, some Italian; we may
26 have a couple of Greeks. We may have a couple of
27 Liberian, Panamanian, a variety of registries.

28 Q. On the coastal trade, let us take the
29 East Coast again, the Atlantic Coast first. What
30 type of vessels do you use on these various operations?



1 A. Most likely our owned United Kingdom regis-
2 tered ships.

3 Q. Do you use chartered vessels for these
4 runs at all?

5 A. I cannot recollect that we have used a
6 chartered vessel on the East Coast.

7 Q. So that that trade is entirely carried
8 on by your own United Kingdom-owned vessels. What
9 about the inter-coastal, what type of registry vessels?

10 A. The inter-coastal as a general rule is
11 owned
12 the same, our own United Kingdom-registered vessels are
13 engaged in that trade, but we have, to my recollec-
14 tion, put in one, perhaps more, United Kingdom-hired,
15 chartered ships as we call them.

16 Q. You do not use any Canadian-registry
17 vessels in your operations, is that correct?

18 A. That is correct, yes.

19 Q. Why is that?

20 A. Partly from economy, and that is the
21 Canadian-registered vessel goes up so costly it is
22 not competitive with other ships with whom we would
23 have to compete in world-wide trade in which we
24 engage.

25 Q. Have you any figures or calculations
26 that you have made to demonstrate this?

27 A. Well, there is a rule of thumb that
28 is quoted fairly widely. For a 10,000-ton ship
29 the difference in costs amounts to roughly \$100,000
30 per year.

 Q. Between a Canadian and a British



vessel?

1 A. Between the total operating cost of
2 Canadian vessels as compared to your United Kingdom.

3 Q. That is, strictly speaking, the opera-
4 ting cost; it has nothing to do with depreciation?

5 A. No, nothing to do with depreciation,
6 that is right, operating differential.

7 Q. Where does that rule of thumb come
8 from?

9 A. Well, it has been used by the Canadian
10 Maritime Commission in some of those reports. I
11 think it can be found there. It has been developed
12 by the Canadian Shipowners' Association as an
13 average rule of thumb figure to indicate the differ-
14 ence.

15 Q. Has your company made any enquiry,
16 or have they given any tenders or charters to obtain
17 any figures which would show whether that is an
18 accurate figure or not; or have you accepted it
19 simply ---
20

21 A. My company operated quite a number of
22 ships of Canadian-registry for quite some years.
23 We bought ships from the Canadian Government at
24 the end of the last war, together with a number of
25 other Canadian companies, and we operated them under
26 the Canadian flag.

27 I think we were the last ones to have to
28 succumb to economic pressures and move our ships
29 from Canadian registry over to United Kingdom regis-
30 try.



Q. You are in this position, are you: You
1 have vessels that you have operated under Canadian
2 registry and that you are now operating under British
3 registry.

4 A. That is right.

5 Q. Would it be possible for you to give
6 the Commission comparative figures of the cost of
7 operation of the same vessel on one registry and then
8 on the other registry, say, for two succeeding years;
9 one on one and one on the other.

10 A. With precision, you mean; other than this
11 rule of thumb figure that I have mentioned?

12 Q. Yes.

13 A. I think that would be possible, yes.

14 Q. Well, I think it would be very much
15 appreciated if you could get that, because this is an
16 unusual situation. We have the same vessel. You
17 have the cost of one registry and you have the cost of
18 the other registry, so if you would be so kind as to
19 do that -- could you write the Secretary and let him
20 have those figures?

21 A. I think we can manage this information,
22 certainly.

23 Q. I should think one for the year
24 immediately before the transfer, and one for the year
25 afterwards.

26 A. Yes.

27 MR. MUNDELL: Is there anything else you
28 would like to obtain in that respect, Mr. Chairman?

29 THE CHAIRMAN: No, not as to the cost of
30



1 operation. We can deal with the cost of construc-
2 tion.

3 MR. MUNDELL: I am not sure I follow you, Mr.
4 Chairman.

5 THE CHAIRMAN: Well, you go ahead. I did some
6 rough-and-ready arithmetic calculation on the Mari-
7 time Commission figures for 365 days a year and it
8 is \$93,025 which is not very far from the rule of
9 thumb.

10 MR. MUNDELL: \$100,000 is a good way of
11 looking at it.

12 THE WITNESS: May I comment on that, Mr.
13 Chairman? It is very rare that a ship can operate
14 365 days a year.

15 THE CHAIRMAN: I realize that.

16 THE WITNESS: That would boost the figure
17 from the average to what it is.

18 COMMISSIONER WICKWIRE: I take it the figures
19 that will be supplied will be of wages, the cost
20 of food ---

21 MR. MUNDELL: I am sorry, Mr. Commissioner,
22 I did not ask that.

23 Q. Can you give us a breakdown?

24 A. We can give as detailed a figure as
25 may be produced, yes; as informative as we can make
26 them, certainly.

27 Q. Can you also give us it on a ton-mile
28 basis, the cost per ton-mile? Would that be too
29 difficult to do now at this late date?

30 A. The cost per ton-mile?



1 COMMISSIONER BELANGER: It would not give you
2 anything on the ton-mile level. The ships are
3 10,000 tons, you say. It would not give you anything
4 more.

5 MR. MUNDELL: I guess we will not need that.

6 Q. How do you obtain your business? I am
7 thinking mostly of inter-coasting?

8 A. We obtain our business in the same way
9 as every other steamship company gets its business.
10 The inter-coastal operation is what is known as a
11 liner operation. That is to say, we put a ship on an
12 advertised berth in certain advertised ports of de-
13 parture, and we wait for offerings of freight from
14 the general public. We have solicitors who solicit
15 offerings of freight and we put out newspaper adver-
16 tisements and other advertisements just exactly in
17 the same way as others in the business operate.

18 Q. That is on the inter-coasting?

19 A. Yes.

20 Q. And on the coasting?

21 A. On the coasting, the coasting on the
22 East is largely a contract operation. We make a
23 private contract with the party who wants to have
24 a given tonnage moved. That is what is known as
25 contract carriage.

26 Q. Do you have other contractors than
27 the Aluminum Company of Canada on the East Coast?

28 A. Yes, we have carried under contract
29 carriage for others than the Aluminum Company.

30 Q. Is it a significant part of your



1 business?

2 A. No, not too significant. I have
3 already told you that our non-coastal is as much as
4 98 percent of our total.

5 COMMISSIONER WICKWIRE: You also carry passen-
6 gers?

7 A. On a very small scale.

8 Q. Limit to twelve per ship?

9 A. That's right.

10 MR. MUNDELL: Q. It has just been drawn to
11 my attention that we dealt with the westbound inter-
12 coastal traffic. I neglected to ask you about the
13 eastbound.

14 A. From West to East, yes, the range of
15 commodities is not quite as large as from East to
16 West. I would say it may be limited to thirty or
17 forty different commodities. Lumber is quite signi-
18 ficant there, canned goods, and general miscellaneous
19 cargo.

20 Q. You mentioned you had operated this
21 service every four to five weeks.

22 A. That's right.

23 Q. It is not a regularly scheduled busi-
24 ness, but you advertise the sailing in advance?

25 A. That's right.

26 Q. Could you, for a period of the last
27 two years, give your tonnages eastbound and west-
28 bound to the Commission? I know it is a little
29 difficult to ask you this offhand. I wondered
30 if you might include that in the information you



1 are sending?

2 A. We have given that information to the
3 Canadian Ship Owners' Association for submission to
4 the Commission at the Commission's own request. I can
5 quote from memory. As far as I recollect it --
6 this would be subject to you appreciating that accur-
7 ate figures have gone forward ---

8 Q. Yes.

9 A. We started our inter-coastal service in
10 1952 and that, as an initial year, did not produce
11 much more than, say, 10,000 tons in either direction.
12 In the following year we may have built up to 40,000
13 tons in either direction.

14 Q. That is westbound?

15 A. In either direction, roughly speaking.
16 I am just quoting roughly. Then we found that the
17 railways introduced a whole range of agreed charges
18 in respect of a number of commodities that we were
19 carrying, and that resulted in a fair amount of busi-
20 ness being removed from us and our tonnages dropped
21 down in 1954 to, say, half of what we had carried
22 in 1953. That left it, say, of the order of
23 20,000 tons.

24 Q. I forgot to ask you this, how many
25 vessels sailed, say, in 1952, 1953, 1954 on your
26 inter-coastal service? Can you say as to that?

27 A. In 1952 we started on the basis of
28 one a month. In 1953 we would have increased that
29 to perhaps one every three weeks. And then in
30 1954, with the reduction in tonnage we would have



1 dropped it off again to one every five weeks.

2 Q. I was wondering if you could give the
3 actual number of vessels?

4 A. Not from memory now but I could certainly
5 provide it.

6 Q. Well, the number of voyages east and
7 west?

8 A. The number on a monthly basis is 12 a
9 year.

10 Q. Is this not partly seasonal?

11 A. No, it is a regular year-round operation.

12 Q. From Montreal?

13 A. In wintertime it is from the Maritimes,
14 and in the summer it is from Montreal.

15 Q. Regular year-round it is Montreal in the
16 summertime and Halifax ---

17 A. Halifax and Saint John.

18 Q. By the way, on these voyages does the
19 vessel call at any American point?

20 A. Oh yes, it may call at ports in the Cari-
21 bbean basin generally, not only American but ports in
22 Dominica, Haiti, Cuba, Jamaica, the Panama Canal
23 and the United States East and West, and the Gulf
24 Coast.

25 Q. As a regular part of the voyage?

26 A. As a regular part of the operation,
27 that's right.

28 Q. The only really coasting trade then
29 is that which you take from the original Canadian
30 port around to the West Coast, in between the



1 international trade, and so forth?

2 A. That's right.

3 Q. Coming to your brief, on page 1 in the
4 printed brief, I was going to ask you about para. 5
5 on page 1 where you mention several base ports. By
6 several -- I beg your pardon, it is not numbered 5,
7 it is the fifth paragraph.

8 A. Yes.

9 Q. You mention several base ports, Montreal,
10 Halifax and so forth.

11 A. Port Alfred, Vancouver, Kitimat, that's
12 right.

13 Q. On page 2 you mention a number of diffi-
14 culties you find with the Transport Act. I think
15 most of the questions I was proposing to ask you on
16 this were got at by direct approach, so I have to
17 take a little time, if I may. You mentioned in the
18 last paragraph, in the paragraphs that are collective-
19 ly numbered 4, in the last sentence there, you men-
20 tion that the regulation by the Transport Act pro-
21 duces effects which can benefit only a few interests.
22 Now, what do you mean by that? What interests
23 have you in mind?

24 A. We have said in our words here that
25 the Transport Act seems to constitute regulation
26 not imposed in the interest of the whole body of
27 water carriers.

28 Q. That's right.

29 A. Therefore, it must be imposed in the
30 interests of other people. Those other people



1 would appear to be in the main the railroads, and I
2 would say any water carriers who are regulated car-
3 riers under the Transport Act and therefore benefit
4 by it.

5 Q. How would they benefit?

6 COMMISSIONER WICKWIRE: Q. License, do you
7 mean?

8 A. By way of license to operate.

9 MR. MUNDELL: Q. In effect, you say give
10 him a more or less exclusive right to the particular
11 run, or something of that sort?

12 A. According to the words of the Act, it
13 would appear -- the Act itself appears to require any
14 carrier, any water carrier, wishing to enter into
15 an operation that is controlled by the Act, to prove
16 that there is a necessity for him to do so. That is
17 not the normal standard for commercial activity.
18 The normal standard is to exercise one's judgment
19 whether one wishes to undertake a given commercial
20 enterprise and take a risk based upon that judgment
21 and make it work out successfully. In the case of
22 the Transport Act there is a clear requirement that
23 necessity has to be demonstrated.

24 Frankly, that is a most difficult thing for
25 me to conceive, how to demonstrate the necessity
26 for a service.

27 THE CHAIRMAN: Q. I might say that your
28 interpretation of the section doesn't seem to ac-
29 cord with that of counsel for the C.P.R., who sug-
30 gests the section be amended so it would have the



1 effect which you believe it now has.

2 A. Oh, I see.

3 MR. MUNDELL: Q. Yes, it is only a consider-
4 ation now. It is not mandatory.

5 I beg your pardon, Mr. Chairman, I was incor-
6 rect in that. It says:

7 "The Board shall determine whether public
8 "convenience and necessity requires such
9 "transport and in so determining ..."
10 may take into account these other things.

11 That is Section 5 of the Transport Act, Chapter 271
12 of the Revised Statutes of Canada.

13 Then coming back to the fourth paragraph under
14 the general enumeration of 4 on page 2 you say that
15 there is an "anomaly that a ship engaged on a voyage
16 from Montreal to Europe - if it also qualifies for
17 coastal trading within Canada - could carry cargo
18 from say Montreal to Halifax on its way out, while
19 an equally qualified ship engaged on an inter-
20 coastal run from Montreal to Vancouver via Panama
21 could not do the same, but could do so if it were
22 only going as far as Seattle". Could you explain
23 that? I am sorry, I do not understand it.

24 A. Yes. The words of the Act do make
25 that paragraph quite clear. I think you will see
26 that the Act says that a ship going from the
27 East Coast to the West Coast may not carry from
28 a port on the East Coast to another port on the
29 East Coast.

30 Q. That is subsection 7 of Section 12.



1 A. Words to that effect are in the Act.
2 I cannot quote it with too much precision.

3 Q. Subsection 7, Section 12. Subsections
4 6 and 7 really.

5 A. Yes. There are also provisions to
6 the same effect as regards ships from West to East
7 not carrying between ports on the West Coast. I
8 want to make it clear that the Act provides that that
9 is not to apply unless proclaimed, and so far as I
10 am aware there has been no proclamation, but the
11 words are there and we have to take cognizance of
12 them.

13 Q. Coming down to the paragraph numbered
14 5 at the bottom of page 2, you draw attention to
15 another mechanism of the railways which can be used
16 by them to discriminate punitively against an opera-
17 tor of service by water. Have you had any experience
18 of being discriminated against punitively?

19 A. This is the through rate tariff. Yes,
20 we have had experience of being discriminated
21 against punitively. Some years ago this company
22 was given by the railways of Canada the privilege
23 of having through bills of lading. In other words,
24 a shipper who wished to ship from an inland to
25 an overseas destination using one of our boats in
26 conjunction with one of the Canadian railways could
27 get a through bill of lading from his originating
28 point.

29 Q. Where would that be from -- say,
30 Winnipeg?



1 A. Well, say from Toronto via Montreal to
2 London, England.

3 Q. Right.

4 A. Then, those privileges were withdrawn
5 from us by the railways. We challenged it, the with-
6 drawal, and took the matter to the Board of Transport
7 Commissioners and the railways were ordered to re-
8 instate the privilege. The railways then resorted to
9 some tactic which effectively prevented us from
10 getting the privilege, and we had to go to the Board
11 of Transport Commissioners again, who again confirmed
12 that the railways had failed to carry out the order
13 and we should get the privilege.

14 The privilege today in practice is still with-
15 held from us because the railways now have created
16 a through tariff where the rates shown in that tariff
17 are only available to certain steamship lines named
18 in it, and they will not accept us as one of the
19 named lines.

20 Q. Does this have a bearing only in rela-
21 tion to international?

22 A. In that particular case it is inter-
23 national trading. There is a similar situation,
24 however, as regards traffic to Newfoundland which
25 is entirely a Canadian movement, where there are
26 such through rate tariffs applicable only for trans-
27 portation by named steamship companies, and there
28 are companies who are deliberately excluded.

29 Q. Where is your company in relation to
30 the Newfoundland trade?



1 A. We function as agent for one of the
2 lines that runs between the Great Lakes and Newfound-
3 land, Constantine Canadian Services. They have made
4 a submission to this Commission. They suffer from
5 a situation of this kind in that particular service.

6 Q. Are you an excluded or included company,
7 your own company?

8 A. For Newfoundland?

9 Q. Yes.

10 A. We are excluded and we have not applied
11 for inclusion. We are not operating a service in
12 which such through rates would be of any interest.

13 Q. I suppose that is all you can say from
14 your point of view on that. I suppose we would have
15 to get further information from the railways on
16 that as to how it is done.

17 THE CHAIRMAN: And why?

18 MR. MUNDELL: Yes.

19 Q. Why do you think it is done? Why do
20 you think Constantine are excluded, if you can speak
21 on that?

22 A. In the case of Constantine it may be
23 because they are having their ships go through to
24 the Lakes and load cargo on at places where they
25 in fact take some cargo away from the railways.

26 Q. In other words, they compete on part
27 of the land run with the railways?

28 A. For a little greater distance than
29 some of the others. The railways, after all, do
30 run right through to Newfoundland. Some of



1 these tariffs are effective for water shipments out
2 of Montreal and the Constantine Service has ports of
3 loading in the Lakes, so that to that extent Constan-
4 tine competes with the railways for a longer distance.
5 They take cargo away from the railways for a somewhat
6 longer distance than the lines moving out of Montreal.
7 That is the only reason I can think of.

8 Q. In other words, if they were to sail
9 from Montreal, say, and not compete with the railways
10 up the Lakes the railways wouldn't do that to them?

11 A. I expect so. I cannot, of course,
12 vouch for the conduct of the railways, but that might
13 be it.

14 Q. They say in effect: "You leave us
15 the land leg and we will give you the water leg on
16 the trip."

17 A. Those are your words.

18 Q. I am asking you if that is your im-
19 pression?

20 A. That well may be.

21 Q. On page 3 of the printed brief, the
22 paragraph immediately preceding the one numbered
23 8, you say:

24 "In any case the participation of British
25 "ships in the coasting trade of Canada is
26 "not and is not likely to become of serious
27 "proportions."

28 Why do you say that, in view of the fact that the
29 Great Lakes will be opened to British ships of
30 greater tonnages?



1 A. We say that because we feel that the
2 kind of ships that British operators under British
3 flag are likely to build and operate will be of a
4 different type from the specialized ships that are
5 most successfully operated on the Great Lakes, and
6 participation in a trade is not merely the ability of
7 the ship to get within a certain area; participation
8 in a trade is made up of very many factors, one of
9 which is ship design, another of which is available
10 water depths, others being the flag and the resul-
11 tant costs for men, repairs and so on. So that the
12 mere fact that the deepening of a waterway permits
13 a slightly larger ship to get in doesn't necessarily
14 mean that the ship is going to go in and, having
15 gone in, engage in a fair amount of activity between
16 ports within the area which, quite possibly by its
17 type of construction and other economical aspects,
18 it can do better by going to other trades.

19 Q. You do not carry on any bulk traffic
20 in the Upper Laker-type of vessel?

21 A. No, my company does not do that.

22 Q. But you are familiar with package
23 freighters which, I suppose, are pretty much of
24 the same design as on the Lakes, or will be with
25 the new Seaway, as ocean-going? And you yourself
26 have converted from ---

27 THE CHAIRMAN: Has the witness assented
28 to that proposition?

29 MR. MUNDELL: Q. I was going on to add,
30 Mr. Chairman, to that. All right. Would that



1 be correct?

2 A. That all general package freighters are
3 the same type of ship? Is that your question?

4 Q. No, in general the ocean-going package
5 freighter of up to 10,000 tons will be able to oper-
6 ate in the Great Lakes, I suppose? Or do you think
7 there would be any special design?

8 A. It would be able to operate in the
9 Great Lakes, but whether that is the most advantageous
10 way in which it can operate is highly questionable.

11 Q. Now, then, you have in your ocean-going
12 shipments gone completely from Canadian registry to
13 United Kingdom registry?

14 A. Yes.

15 Q. Why will not the Canadian Lake Fleet
16 do the same thing?

17 A. Well, I really cannot speak for the
18 Canadian Lake Fleet, but I would say if there was
19 sufficient inducement it might well do that, if
20 economically it could operate its Fleet better by
21 transferring to United Kingdom. I wouldn't say
22 that is not a possibility.

23 Q. You have said, though, in your brief
24 that it is not likely to become of serious pro-
25 portion. That is your answer to my inquiry as
26 to what you meant by that? You just don't think
27 so.

28 COMMISSIONER WICKWIRE: Well, Mr. Mundell,
29 I would like the witness to explain why, in his
30 opinion, it is highly questionable that ocean-



1 going freighters of the 10,000-ton type will operate
2 on the Great Lakes. You didn't give him a chance
3 to answer.

4 MR. MUNDELL: I beg your pardon.

5 COMMISSIONER WICKWIRE: What are the reasons
6 in (a), (b), (c) order that you think it is question-
7 able that they will not operate on the Great Lakes?

8 A. I think we said that we did not think
9 there would be any incursion of serious proportions,
10 and that is really all that we do say. Certainly
11 it is possible for United Kingdom flag ships who do
12 now operate on the Great Lakes. I refer to United
13 Kingdom flag ships owned by companies in the United
14 Kingdom and based upon the United Kingdom essentially.
15 However, for the reasons that I have already given,
16 namely that the Lakes operation requires rather
17 specialized ships, and the mass of the cargo move-
18 ments there, they are highly specialized cargo
19 movements with loading equipment and receiving equip-
20 ment, ship equipment, equipment all attuned to
21 them. The mere fact of deepening a channel and
22 allowing certain ships otherwise excluded then to
23 come through that channel is not making ---

24 COMMISSIONER WICKWIRE: Q. Are you refer-
25 ring to loading equipment on the present Great
26 Lake ships or the present equipment on the shore
27 stations?

28 A. Yes, on the shore stations. They
29 would be available but perhaps not as well design-
30 ed to that ship. I am not a naval architect and



1 I cannot go into this in too great detail, but they
2 are certainly specialized types of ships.

3 Q. What is to prevent specially designed
4 ships from the Continent coming over and engaging in
5 that trade?

6 A. I don't think anything could stop it.

7 Q. Do you think that is likely to happen?

8 A. That would depend, I would say, upon
9 the degree of activity in the shipyards on that side.
10 If they want orders and are willing to take them and
11 build ships for purchasers at a price that is attrac-
12 tive -- this is all governed, of course, by the
13 ordinary laws of economics, supply and demand. I
14 cannot see why they shouldn't build them and bring
15 them over.

16 Q. Do you think they would compete with
17 the specialized Upper Laker that is now in operation?

18 A. I am sorry, I may have misunderstood
19 your earlier question, sir. I thought your question
20 was, could the type of ship, the specialized type,
21 be built abroad.

22 Q. Yes.

23 A. Yes, I said I thought it could, but
24 I didn't say for whom. It might be for the
25 Canadian who is presently operating ships,

26 Q. Supposing it is built for non-
27 Canadians to operate in the grain and ore trades on
28 the Great Lakes. Do you think it could compete
29 with the Canadian-owned type of Laker?

30 A. If it is an eligible ship within



1 Canadian law?

2 Q. Yes.

3 A. Unless it could compete I doubt very
4 much if anyone would have it built. They would build
5 it on the basis that it could compete.

6 MR. MUNDELL: Q. It has been represented to
7 the Commission that if no restrictions, rather if
8 the coasting trade is not reserved to Canadian-built
9 and registered vessels, the shipping industry of
10 Canada will disappear entirely as it is said the
11 ocean-going shipping has disappeared, and it is sug-
12 gested that this would be a bad thing from the point
13 of view of defence, and the point of view of the need
14 for a fleet as an essential part of our whole trans-
15 portation system. Have you given any thought to
16 this question in making the recommendation that there
17 be no further restrictions of any kind?

18 A. To the general question of defence?
19 The desirability of ships from the defence aspect?

20 Q. Or as being an essential part of the
21 integrated transportation system.

22 A. Oh, yes, we have given thought to
23 that, certainly. We are very concerned with it
24 ourselves. We are the deep-sea shipping arm of a
25 very essential business, particularly in times when
26 defence is significant. There is nothing in our
27 brief that has said anything against the mainten-
28 ance of either Lake shipping or deep-sea shipping
29 under the Canadian flag. We merely express our
30 belief that change in the present coastal shipping



1 law is not desirable and is not necessary.

2 THE CHAIRMAN: Q. You know the other way of
3 protecting it by subsidy. It has been said by the
4 shipping interests of Canada that we may protect
5 Canadian shipping and keep it for defence purposes,
6 both shipping and shipbuilding, by restriction of
7 the Canadian coastal trade and do it without cost to
8 the public. Why isn't that available to you? Why
9 doesn't that find favour with you?

10 A. You mean presumably, Mr. Chairman,
11 without direct cost to the public in the form of
12 extra taxation?

13 Q. Yes.

14 A. The cost has got to be met. We cannot
15 have ships under Canadian flag, we cannot have a
16 shipbuilding industry if it does not maintain itself
17 economically without there being a cost. It seems
18 much more reasonable, since all other defence costs
19 are a general charge upon the public, not to put the
20 cost of commercial shipping or commercial shipyards
21 upon a certain limited section of the public, namely
22 the users of water transportation.

23 Q. Except that the users of water trans-
24 portation seem also to be the chief users of
25 natural resources and perhaps it wouldn't be in-
26 appropriate to have them pay some of the defence
27 costs of the country whose natural resources they
28 use.

29 A. Well, I don't know. We are a com-
30 pany, our group of companies is spread fairly



1 widely across the world. We have taken Canadian
2 enterprise into most parts of the globe. I don't
3 know any part where we have been told that if we
4 come in and start an enterprise on the basis of our
5 own judgment that we should participate in part of
6 the defence costs of that area as a direct charge
7 upon ourselves or the people who use the products that
8 we carry. That defence cost has always, as far as I
9 know, been a general charge upon the public.

10 Q. It might be a novel idea for this
11 Dominion. The fact it has not occurred to another
12 one leaves me quite cold.

13 MR. MUNDELL: Q. How would restrictions hurt
14 your operation as far as the Atlantic Coast and inter-
15 coasting operations go?

16 A. Every operator of ships, certainly every
17 deep-sea operator of ships, has to be a free trader.
18 He wants to be able to take his ships just as far
19 and as wide as he can take them, wherever cargoes may
20 be offering that he can carry with a profit -- or
21 perhaps less loss.

22 Q. If the restrictions were increased or
23 limited, wouldn't that give you protection as far
24 as the coasting operation is concerned without
25 affecting your deep-sea operation?

26 A. It might give us a little protection
27 as regards a few units of our fleet, but our fleet
28 is made up of many ships that are not eligible
29 for Canadian coasting trading. At the present
30 time, even though we now have a few



1 ships which are eligible, they would be excluded
2 if there were restrictions.

3 Q. So that, as far as your present fleet
4 is concerned, that means you would be totally excluded
5 from the coasting trade if the restrictions that have
6 been suggested to Canadian-built and registered ves-
7 sels ---

8 A. If it were merely Canadian flag we
9 would be totally restricted, totally excluded.

10 Q. But if you had Canadian vessels you
11 could carry on, couldn't you?

12 A. If we had Canadian flag vessels, we
13 could, yes.

14 Q. Which you formerly had?

15 A. Provided that is the extent of the res-
16 triction, which we formerly had, yes. May I enlarge
17 upon that "formerly had"?

18 Q. Yes.

19 A. The Canadian Government, I believe, was
20 very, very anxious to maintain a Canadian flag deep-
21 sea Merchant Marine after the war. Certainly it
22 disposed of a lot of the wartime fleet by sale to
23 Canadian companies and was very interested in seeing
24 the maintenance of the fleet. The differentials in
25 cost, combined with market conditions, slowly
26 caused one company after another to either dispose
27 of its ships or to transfer them out of Canada or
28 to try to transfer them out of Canada. The Canad-
29 ian Government was then asked to assist the opera-
30 tion of these ships and did for a certain small



1 limited number and in a very limited amount -- a total
2 of \$3,000,000. For the rest, however, it arranged
3 with the United Kingdom Government for these Canadian
4 flag ships to be transferred to United Kingdom flag
5 and we shipowners of Canada, of Canadian flag ships,
6 were in fact invited to participate in this scheme
7 for the transfer of our ships to U.K. flag. I might
8 make the suggestion that I would consider it most
9 unfortunate if, having done that, the Canadian Govern-
10 ment now -- having done that to keep us going in
11 some way -- now brought in legislation which would
12 prevent us from participating in the trades which, as
13 ordinary commercial companies with Canadian-built
14 ships bought from the Crown, we would otherwise be
15 able to engage in.

16 THE CHAIRMAN: Oh, I would suggest there
17 would be nothing that would affect that. You would
18 be permitted to re-transfer and any bar as to
19 Canadian-built boats, that wouldn't be there, and
20 if these ships -- they were originally built, Canad-
21 ian-built?

22 A. That's right.

23 Q. Then you wouldn't be affected by
24 that.

25 A. But the re-transfer would make us non-
26 competitive in world markets unless we were assis-
27 ted in some other form.

28 Q. You would have to choose whether you
29 were going to be after world markets or coasting
30 markets for those ships.



1 A. We would certainly have to under such
2 conditions. It is our contention that we should not
3 have to, that we should not be forced to make such
4 a choice.

5 Q. But you imply there would be an element
6 of unfairness to you by having been invited to trans-
7 fer to the United Kingdom and, having complied with
8 that invitation, you would then, if this legislation
9 as proposed were enacted, be excluded from the
10 Canadian coastal trade. You did not transfer, and
11 you were not invited to transfer, to engage in coas-
12 tal trade at all, and so far as engaging in inter-
13 national trade, you would be free to do it, as you
14 are doing it now, but if you wished to go ahead and
15 do a coasting trade you would have to either re-
16 transfer or get other Canadian-registered vessels.
17 What I am contesting now is the implication that
18 there is any element of bad faith in the Government's
19 enactment of this regulation, if it were to enact
20 it. Of course, there are two big jumps first --
21 the first would be whether it would be recommended
22 and, secondly, would the recommendation be accepted.
23 As I see it, there is no bad faith whatsoever.

24 A. May I just add one other feature
25 that I overlooked mentioning to you? In making
26 this transfer of the Canadian flag vessels to the
27 United Kingdom we were to achieve two things.
28 First of all, bring our ships within an economic
29 level of operating cost, and, secondly, we were
30 going to be able to compete for soft currency



1 cargoes with the United Kingdom undertaking to convert
2 the surplus of revenue over expenses and allowing us
3 to repatriate that surplus to Canada. That under-
4 taking on the part of the United Kingdom went hand
5 in hand with ^{an}undertaking from the operators to do
6 everything in their power to get all the dollar car-
7 goes they could and thus reduce the exposure of the
8 United Kingdom to have to allow us to draw off from
9 their dollar balances. That is the feature where I
10 think we may say that it would operate somewhat un-
11 fairly for us now if, having made this transfer, we
12 were deprived of a source of earning dollars in
13 thus living up to this undertaking that we gave them.

14 Q. I don't follow that, I am afraid. If
15 there was a re-transfer, of course you would be freed
16 from any covenants which you made on that basis.
17 Well, now, you have some examination yet, I take it?

18 MR. MUNDELL: Very little, Mr. Chairman.

19 THE CHAIRMAN: Perhaps you had better finish
20 yours.

21 MR. MUNDELL: Q. I was going to ask one
22 further question really. That was: What would
23 prevent you carrying on your coasting trade opera-
24 tions with Canadian ships and your international
25 with non-Canadian ships as you are doing now if the
26 restrictions came in? I mean why wouldn't you do
27 that?

28 A. We prefer to have a fleet where the
29 units are inter-changeable. Ships cannot be run
30 like trains. You cannot put a ship in a station



1 and say: "This ship is going to leave here tonight
2 at 11.00 o'clock and get there at such-and-such an
3 hour and be back at a certain time". Ships are ex-
4 posed to all sorts of contingencies, weather con-
5 ditions, port conditions, labour conditions, and
6 other things.

7 THE CHAIRMAN: Many ships do that very thing,
8 don't they, on a six-months or a year basis, publish
9 exact time-tables which say when they will be leaving
10 and arriving?

11 A. Many ships on the Lakes?

12 Q. Well, I am not speaking only of the
13 Lakes. It is always subject to weather hazard, but
14 nevertheless it is ordinary to work on a schedule.

15 A. Well, it is possible, sir, to work on
16 a schedule if the type of operation permits it. Our
17 operation is one where we are moving very, very
18 large tonnages of bulk commodities, first of all
19 for the Aluminum Company, and, secondly, additional
20 large quantities under contract carriage for all
21 kinds of people. If we have one ship get out of
22 schedule we may still have the contract to carry
23 out and we will put another ship in its place. It
24 is that type of flexibility that I want to stress
25 is most essential to steamship operators.

26 MR. MUNDELL: Q. Well, you could always
27 ship your Canadian-registered vessels out but you
28 couldn't switch the others in, I suppose? In
29 answer to my question as to why couldn't you, your
30 answer is that you have an integrated operation



1 that doesn't distinguish between the coasting and the
2 ocean-going except insofar as you have Greek, Nor-
3 wegian and other than ---

4 A. That's right. If we had ships which
5 are restricted to Canada -- was that your question?

6 Q. Yes.

7 A. I think those would be too uneconomic
8 to put into the other international operation. We
9 wouldn't want to switch those over for economic rea-
10 sons. They would show a loss on a voyage instead of
11 a profit.

12 Q. There was just one question of fact
13 that I should have raised earlier.

14 A. Yes?

15 Q. On your runs between Vancouver and
16 Montreal, what percentage of that would be through
17 traffic and what percentage would be local to American
18 ports, and so on?

19 A. The inter-coastal movement might be
20 one-third of the whole, just speaking very roughly.

21 MR. MUNDELL: Those are all the questions
22 I have to ask, Mr. Chairman.

23 THE CHAIRMAN: We will adjourn now until
24 3.00 o'clock.

25 ---Whereupon the hearing adjourned at 1.05 P.M.
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1 ---On resuming at 3.00 P.M.:

2 W. BAATZ (cont'd)

3
4 THE CHAIRMAN: Proceed, please.

5 MR. WRIGHT: Thank you, Mr. Chairman.

6 Q. Mr. Baatz, I represent the Canadian
7 Pacific Railway Company. I think I may tell you be-
8 fore I ask you any questions, in case you have not
9 read the submissions of the Canadian Pacific Railway
10 -- or have you read them?

11 A. No, I have not. I have just seen the
12 brief.

13 Q. The Canadian Pacific Railway Company
14 has filed a submission in which it is suggesting that
15 the Transport Act be extended to cover all ships
16 engaged in the coasting trade.

17 A. Yes.

18 Q. For that reason I am interested in some
19 of the remarks which the Saguenay Terminals has made
20 in its brief, particularly section 4.

21 As I understand it, Mr. Baatz, you are not
22 carrying on at the present time any operations
23 which are licensed under the Transport Act, is that
24 correct?

25 A. That is correct. We are not carry-
26 ing on any such operations.

27 Q. All your operations are outside it,
28 and insofar as the coasting trade is concerned they
29 are mainly inter-coastal. Would that be generally
30 correct?



1 A. Inter-coastal, and on the East Coast,
2 yes, at the present time.

3 Q. On the East Coast between what points?

4 A. Bulk cargoes moving between Newfound-
5 land and the St. Lawrence and the Maritimes and Lower
6 St. Lawrence.

7 Q. Have you had any experience of operating
8 under the Transport Act?

9 A. No, I have not.

10 Q. You have not. Then what you have said
11 in this submission of yours with respect to the Trans-
12 port Act, I expect stems generally from the free
13 enterprise philosophy which you mentioned this morn-
14 ing. Would that be correct, Mr. Baatz?

15 A. You are asking whether it has affected
16 our past or is only something we are interested in
17 for the future. Is that really the question?

18 Q. Well, really, that is not it. You
19 seem to have expressed a dislike or aversion in this
20 submission of yours to the Transport Act. I am
21 just wondering why you have expressed that dislike
22 or aversion?

23 THE CHAIRMAN: Surely that is not quite
24 accurate. The expression was a dislike for various
25 sections of the Transport Act.

26 MR. WRIGHT: He says, Mr. Chairman, it is
27 generally objectionable to the water carriers
28 trade. He does not use the words I have used. He
29 says it is generally objectionable to water car-
30 riers. All I am endeavouring to find out from Mr.



Baatz is why he says that.

MR. BAATZ: A. Well, I would like to say that the Transport Act is certainly not an Act that was enacted in the interests of water carriers. You would not disagree with that statement?

Q. Yes, I would disagree with it, but I am not here to agree or disagree.

THE CHAIRMAN: I think I would add the comment that I do not believe it is the usual practice to enact statutes for the benefit of anyone, but for the benefit of the Dominion of Canada and its citizens, not the water carriers or railroads or anybody else.

MR. WRIGHT: I think it must be assumed, Mr. Chairman, the statute is in the public interest if it was enacted by the Parliament of Canada.

THE CHAIRMAN: The majority of the Members of the Parliament so considered it at any rate.

MR. WRIGHT: Yes, Mr. Chairman.

MR. BAATZ: Yes, we recognize that at the time it was enacted it was no doubt an Act which took care of certain phases of Canadian life in a satisfactory manner, but it is our belief at the present time conditions may have altered. This Act may not be as attuned to conditions today as it was when it was enacted.

COMMISSIONER WICKWIRE: Q. That is, as it applies to water carriers only?

A. That is right.

MR. WRIGHT: Q. You say that without having had experience yourself under the Transport



Act.

1 A. That is correct, yes, but not without
2 having considered the activity, the shipping activity
3 in areas which are controlled by the Transport Act.

4 Q. Well to what extent does the Transport
5 Act affect you now?

6 A. It can affect us in this way: that
7 where we presently operate services from Montreal to
8 overseas destinations, it might well be desirable
9 for us to develop feeder services from Great Lakes
10 areas to our own ships in deep-sea operations.

11 Q. For instance, between what ports?

12 A. Well, say, from Toronto to Montreal.

13 Q. Yes?

14 A. And under the Transport Act we would
15 have to apply for a license to do that, I believe.

16 Q. That is correct. You could apply for
17 that license, could you not?

18 A. Yes, we could.

19 Q. There is nothing to restrict you from
20 applying for that license?

21 A. No, nothing whatever as far as I am
22 aware.

23 Q. If public convenience and necessity
24 deem that that license should be granted to you,
25 you would get it, would you not?

26 A. Presumably, since that is what the
27 Act requires, and it is that feature of public
28 necessity which we find to be somewhat objection-
29 able.
30



1 Q. You do not like to have to prove public
2 convenience and necessity in order to get the right
3 to operate?

4 A. I do not think we should be required to
5 prove necessity if we offer a service, if we are
6 offering that service on an economical basis.

7 Q. You think that applies to every trans-
8 portation agency?

9 A. I am not sure if I understand -- if I
10 understood what was behind your question a bit better
11 I may be able to answer it, sir.

12 Q. You think that you, as a water carrier,
13 if you wish to put in a new service some place, you
14 think you should be free to do that without going
15 to any public body to get the right to do it, is
16 that correct?

17 A. No, that is not. I do not think any
18 such sentiment has been expressed here.

19 Q. Maybe I have misunderstood you then.

20 A. We have not objected to the license.
21 We have objected to the condition on which the
22 license is granted.

23 Q. You think this should be amended?

24 A. That would be helpful.

25 Q. In other words, you do not object
26 to licensing as such?

27 A. Not if it is in the public interest
28 and serves the purpose, why should we? We are sub-
29 ject now and we conform to licensing in many ways.
30 Our ships are subject to licensing in endless



1 respects.

2 Q. You are subject to licensing or some-
3 thing of that nature under the Canada Shipping Act,
4 I suppose?

5 A. In various ways.

6 Q. Is that what you have in mind?

7 A. The regulations under the Canada Ship-
8 ping Act, yes.

9 Q. Well, in what way do you think that
10 the licensing provision of the Transport Act should
11 be amended?

12 A. In any way which will remove from the
13 qualifications for a license the ability to demonstrate
14 the necessity, because that seems to be too diffi-
15 cult a condition to impose.

16 Q. You do not think it should be necessary
17 to demonstrate public convenience and necessity. Is
18 that what you mean?

19 A. That is right.

20 Q. You think all you should have to do is
21 apply for a license and have it automatically grant-
22 ed to you?

23 A. I was not using those words. I am
24 just saying that, to prove necessity for a service
25 offered, is too difficult a condition to impose in
26 seeking to obtain a license.

27 THE CHAIRMAN: Q. Did you ever consider
28 this situation. The Aluminium Company is, one can
29 tell by public opinion at any rate, an extremely
30 wealthy corporation. If you go in the Great Lakes



1 and start a service there without passing any test
2 except your own desire to do so, there is no doubt
3 in the world you can put every competitor on his
4 back in a very short time, and then, finding that
5 you had over-estimated the profit potential in the
6 service, you drop it and continue your deep-sea
7 operation, with the result that those competitors
8 who had been put on their backs were no longer there
9 and John Public would suffer as a result. Perhaps
10 it is that thought that caused Parliament to suggest
11 or provide not that you do prove anything, but that
12 the Board shall determine whether public convenience
13 and necessity require such transport. Have you
14 looked at that?

15 A. Yes, the Board shall determine. It
16 imposes that duty upon the Board.

17 Q. On the Board, not on you.

18 MR. WRIGHT: Q. Then if you apply for a
19 license, wish to enter a service on the Great Lakes,
20 for instance, I take it you consider that those per-
21 sons who are already operating there, who have an
22 investment in that service and are providing regu-
23 lar service for the public, should have no say in
24 whether you enter that service or not. I think
25 you are going that far, are you not?

26 A. Yes, I think I can go that far.

27 Q. The effect which your service might
28 have on the other transportation services opera-
29 ting in that area should not be considered or
30 given any consideration?



1 A. No, I would not subscribe to that
2 necessarily.

3 Q. I see. You would think that that
4 should be considered?

5 A. I really do not care ---. I am not
6 sure that I am capable or should express views as to
7 what the Board of Transport Commissioners ought to
8 consider.

9 THE CHAIRMAN: Q. But you have, sir.

10 A. Except that I feel this necessity is
11 too difficult a condition. That is really my only ---

12 MR. WRIGHT: Q. Now, the Great Lakes at
13 present are filled with Canadian operators, are they
14 not; there are very few British operators in there?

15 A. Yes.

16 Q. You, as a U.K. operator, think, when
17 the Seaway is opened, or even now, that you should be
18 quite free to go in there to compete with these people
19 even though the additional tonnage that you have to
20 offer is not necessary in that area. Is that what
21 it gets down to?

22 A. First of all, you said I am a U.K.
23 operator. I would like to correct that. We are a
24 Canadian corporation, a Canadian taxpayer.

25 Q. But you are operating ships registered
26 in the U.K.?

27 A. That is right. By necessity we
28 operate ships under the U.K. flag.

29 Q. Yes?

30 A. The second part of your question was



1 that if we should be free to go into the Great
2 Lakes ---

3 THE CHAIRMAN: Before we leave the first part,
4 your answer was "by necessity we operate under the
5 British flag". That necessity would not exist when
6 you are operating in the Great Lakes because there
7 your competitors -- you have just stated -- operate
8 under the Canadian flag, so the "by necessity" pro-
9 vision, or your qualification in your answer, would
10 not apply in that case, would it?

11 A. Well, I wonder if I may offer a little
12 comment there, sir? We are, presumably, discussing
13 the possibilities once the Seaway is open.

14 THE CHAIRMAN: Yes.

15 A. When the Seaway is open ships which
16 operate on the Great Lakes, because they are Canadian
17 flag ships, if that is the law, or because they are
18 Canadian-built ships, if that is the law, will not
19 be prevented from coming out from the Great Lakes
20 to compete with me generally in the wide world.

21 If they are protected on the Great Lakes and
22 are able by their operations there to set their
23 rates to such a level that all their depreciation
24 costs and capital costs are absorbed by their Great
25 Lakes season, and then they come out in the open sea
26 to compete with me in the wintertime at conditions
27 which compare favourably for them as compared to
28 my situation ---

29 Q. Do you believe that that is possible?

30 A. Yes, I think it is possible.



1 Q. That is the first time that has been
2 put forth.

3 COMMISSIONER WICKWIRE: Q. With the Upper
4 Lakes-type of vessel?

5 A. I wouldn't say with that type. I
6 would say it is possible any ship can go through the
7 limiting depth of water and the width and length of
8 locks will be persisted in. Whether it will be suc-
9 cessful I would not say, but it certainly is some-
10 thing I would say every operator is going to try.

11 THE CHAIRMAN: Q. The operators of the
12 Great Lakes Upper Laker are going to try to compete
13 with you in what line?

14 A. I am not sure whether the Upper Lakers
15 will compete, but I am saying those ships that can
16 get out through the canal and the new Seaway.

17 Q. They can get out through the channel
18 now, the ones they have built and are running now.

19 A. Your question was: How would they
20 compete with me?

21 Q. Yes?

22 A. In terms of actual cargo movement, I
23 doubt whether I can put my position, but in cargo
24 movements ships get their business, certainly in
25 the bulk movement trade by offering themselves on
26 the market. The ships are available, the cargoes
27 are available, and the two are brought together by
28 a broker. Whether these ships or another ship
29 pick up a given piece of business I wouldn't say,
30 but these ships will be offering on the market.



1 THE CHAIRMAN: Q. On what routes?

2 COMMISSIONER WICKWIRE: Q. What cargoes will
3 they get?

4 A. I wouldn't say what routes, it depends
5 entirely upon their owners. We put our ship on the
6 market. We get all kinds of cargo. We decide it
7 is interesting ---

8 THE CHAIRMAN: I suggest you are toying with
9 us. You know very well, as any seafaring person
10 does, that the Great Lake Upper Lakers can go through
11 the Gulf of St. Lawrence, but certainly no further
12 East than that.

13 A. Well, you see, sir, it may not always
14 be. If new ships were built when the Seaway situa-
15 tion is there, we are considering a situation which
16 goes a long way into the future.

17 THE CHAIRMAN: Proceed, Mr. Wright.

18 MR. WRIGHT: Q. Well, the second part of
19 my question, Mr. Baatz, was that you should be quite
20 free to -- assuming after the Seaway has been opened
21 and assuming that the status quo under Part XIII
22 of the Canada Shipping Act is maintained, and U.K.
23 shipping is permitted to continue to participate
24 in the coasting trade -- do you feel you should be
25 free to go into the Great Lakes and compete with
26 the existing operators in the coasting trade with-
27 out showing the necessity for that increased ton-
28 nage?

29 A. That is right. I think the market
30 itself creates its demand for tonnage.



1 Q. You think that you should free and that
2 the market should be free to choose what tonnage it
3 uses?

4 A. Yes.

5 Q. Even if that may put some of the
6 Canadian operators out of business?

7 A. I am not discussing who it might put
8 out of business. The economic laws of supply and de-
9 mand are well understood by everybody.

10 Q. Mr. Baatz, in paragraph 4 of your sub-
11 mission, section 4 on page 2, would you mind looking
12 at that?

13 A. Would you mind giving me the page? I
14 have not got the page.

15 Q. Page 2 of your folio B-62. I took it
16 that you had it in front of you.

17 A. Yes.

18 Q. Now ---

19 A. Which paragraph please?

20 Q. 4.

21 A. On page 2?

22 Q. Yes.

23 A. Thank you.

24 Q. You seem to consider it strange that
25 on the inter-coastal run from Montreal to Van-
26 couver you should not be able to carry a cargo be-
27 tween Montreal and Halifax. Now, is it true
28 that you are prohibited?

29 A. I mentioned earlier today that those
30 words are in the Act, but I believe subject to



1 proclamation. There has been no proclamation. That
2 is my understanding.

3 Q. Assuming the Act did apply, you could
4 carry between Montreal and Halifax if you obtained a
5 license to do that, could you not?

6 A. Is that a license? Excuse me, the
7 words are not in my mind at the moment. That is a
8 license if it were proclaimed, there would be a lic-
9 ense required.

10 Q. As I understand it, that is not exemp-
11 ted. This service is not exempted by the provisions
12 of the Act.

13 A. My recollection of the Act is that
14 a ship that is engaged in inter-coastal shall not
15 carry between one port and another on one coast.

16 Q. It is my understanding unless they get
17 a license.

18 A. I don't think the words are there.

19 THE CHAIRMAN: Q. That understanding would
20 be very easy to determine from the statute.

21 A. I don't think the words are there.

22 MR. WRIGHT: This is Section 12 which I
23 am reading.

24 "This Part shall not come into force on, or
25 "in respect of, any sea or inland water of
26 "Canada until proclaimed by the Governor-
27 "in-Council to be in force on, or in respect
28 "of such sea or inland water."

29 That is subsection 1. Subsection 6 says:

30 "Except as provided in subsection (7) the



1 "provisions of this Part do not apply in the
2 "case of ships engaged in the transport of
3 "goods or passengers between ports or places
4 "on the Pacific Ocean and ports or places on
5 "the Atlantic Ocean or the Great Lakes or
6 "both, but such ships are at liberty, not-
7 "withstanding the provisions of this Part, to
8 "receive ---" and so. I do not think the
9 rest applies.

10 Subsection 7:

11 "The ships mentioned in subsection (6) are
12 "subject to the provisions of this Part in
13 "respect of goods or passengers accepted for
14 "transport by water from a port or place on
15 "the Pacific Ocean to another port or place
16 "on the Pacific Ocean or from a port or place
17 "on the Atlantic Ocean or on the Great Lakes
18 "to another port or place on the Atlantic
19 "Ocean or on the Great Lakes."

20 That is the licensing part, so I think to carry be-
21 tween Montreal and Halifax he would have to get a
22 license.

23 A. Which would involve again the neces-
24 sity feature.

25 Q. Yes, but if it was in the public inter-
26 est, and that is the word you used in your brief,
27 you would get **that** license, would you not?

28 A. I could not vouch for that.

29 THE CHAIRMAN: Q. You have never made any
30 application?



1 A. Not yet, sir, no. The Sections are
2 not proclaimed. We have not ---

3 Q. The license provision is in effect now
4 and has been for many years as to the Great Lakes.

5 A. Yes.

6 Q. You have never made any application?

7 A. No, we have not, but we are thinking
8 of operations of that kind in the future.

9 MR. WRIGHT: Q. Now, Mr. Baatz, did you
10 write paragraph 5 of section 4 with the Transport
11 Act in front of you?

12 A. The paragraph referring to agreed
13 charges?

14 Q. Yes.

15 A. I cannot anticipate your question, but
16 if I may comment on that.

17 Q. Yes, I would be glad to have it.

18 A. Since this brief was prepared, there
19 have been amendments to the Section of the Transport
20 Act dealing with agreed charges, and this particular
21 paragraph is no longer -- we do not press the point.

22 Q. You would like to amend that para-
23 graph probably, or would you like to cut it right
24 out?

25 A. I would like to consider one or the
26 other, but an amendment is most likely.

27 Q. In any event, I take it you do not
28 like agreed charges?

29 A. I have not said that.

30 Q. Oh, you have not?



1 A. No.

2 Q. Oh?

3 THE CHAIRMAN: I think that is a proper reply.

4 MR. WRIGHT: Pardon, Mr. Chairman?

5 THE CHAIRMAN: The paragraph was addressed to
6 agreed charges to which he had no right to object.

7 THE WITNESS: A. At the time, sir, we
8 considered that we had some grounds, but we certainly
9 -- there have been changes in the Act. We are pre-
10 pared to modify that particular paragraph. We have
11 not, to my knowledge, ever challenged the principle
12 of agreed charges.

13 MR. WRIGHT: Q. You are free yourself to
14 make agreed charges?

15 A. That is right.

16 Q. You do not have to publish these
17 charges, do you?

18 A. No.

19 Q. They may be known only to you and the
20 shipper?

21 A. That's right.

22 Q. And no one has any right to appeal
23 against any charges which you make?

24 A. Appeal -- you mean, to a court of law?

25 Q. To any public body.

26 A. No, not to any public body. He only
27 has the right to appeal to the market.

28 Q. To the market. If he does not like
29 it he can go somewhere else?

30 A. That is right.



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1 Q. And if there isn't anybody else though
2 he has to stick with you?

3 A. He may. Or he may decide to do some-
4 thing about it himself.

5 Q. He may decide to go to the railways?

6 A. He may go to the railways.

7 Q. Now, in the last paragraph of that
8 section 4 you say that the Transport Act appears in
9 any case to the extent that it affects them to be
10 generally objectionable to water carriers as a whole
11 body. Now, in paragraph 1 of this same section you
12 say that the Transport Act must obviously be objec-
13 tionable to all but the protected parties. Now,
14 I am just wondering if there is any inconsistency
15 there in those two statements.

16 A. Well, you are not posing a question.
17 In what way do you wish me to answer?

18 Q. I am asking you if there is any in-
19 consistency in those two statements?

20 A. In our opinion, not. We wouldn't
21 have made them if we thought they were inconsis-
22 tent.

23 Q. I sort of took it from what you say
24 in paragraph 1 that the Transport Act is not objec-
25 tionable to the people who come under it.

26 A. Did I say that? I thought I said
27 it is not objectionable to the people who are pro-
28 tected by it.

29 Q. Well, who do you mean by that?

30 A. Well, there are obviously people who



1 must benefit by the Transport Act, carriers who must
2 benefit by the Transport Act. The whole body of
3 water carriers who have to prove necessity to be
4 able to engage in an undertaking, I cannot see how
5 such a body of water carriers could conceive that that
6 Act is in their particular interest or is appetizing
7 in any way to them.

8 Q. Would you include in those who are pro-
9 tected or benefited by the Act the water carriers who
10 have obtained a license to operate under the Act?

11 A. I would say they are protected by it
12 inasmuch as anyone coming in would have to prove
13 necessity, or at least anyone new wanting to come in
14 would have to be judged necessary in the face of
15 their participation, their prior participation. That,
16 to me, seems to be a form of protection.

17 Q. When you are saying that the Act is
18 objectionable to water carriers, have you in mind
19 the carrier who would like to get in and cannot be-
20 cause he cannot prove public convenience and neces-
21 sity?

22 A. That's right. Not because he cannot
23 prove public convenience and necessity, but because
24 his application to get in would be subjected to
25 that test.

26 Q. Yes, I see.

27 A. Where the operator is already in he
28 may be able to contend or demonstrate that, as far
29 as they feel, that he or they already satisfy all
30 public necessity and convenience.



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Q. Now, you seem to speak for the whole body of water carriers here in this last paragraph of section 4. I was just wondering on what authority you do so speak?

A. No, we speak for ourselves alone. We express the view that it appears to us to be that way.

Q. This is purely the view of Saguenay Terminals?

A. That's right. This is our brief.

Q. Now, you have some complaint about through rate tariffs to which you refer in paragraph 5. Do you think that there should be legislation enacted to compel railways to enter into these through rate tariffs with you?

A. My company feels that there should certainly be no discrimination as between one firm and another firm.

Q. Well, how are you going to avoid that discrimination?

A. Well, we would hope that the railways wouldn't want to resort to it in any case.

Q. Well, I don't think they would. But how are you going to ensure that you get away from it? Have you any way to suggest? Maybe we should have legislation which would compel the railways to enter into these through rate tariffs with you, and similar legislation compelling you to enter into them with the railways.

A. Maybe we should.



1 Q. You wouldn't mind that?

2 A. No. But if you give them to one set
3 of water operators today there should certainly be
4 something to require that they be given to any other
5 water operator in the same area rendering the same
6 service.

7 Q. And if a railway should for any reason
8 of its own wish to enter into such an arrangement
9 with you, and you don't feel that you want to, you
10 should be compelled to enter into it with the railway.

11 A. If I am entering into similar agree-
12 ments with other railways giving the same service,
13 yes.

14 Q. Now, in paragraph 6 you say that the
15 inter-coastal must be viewed as a deep-sea operation.

16 A. Yes.

17 Q. I expect when the Seaway opens that
18 would be really a combined deep-sea/Great Lakes
19 operation. It might become that.

20 A. It might become that, yes.

21 Q. I think that is everything. Thank
22 you.

23 THE CHAIRMAN: Mr. Simard?

24 MR. ARTHUR SIMARD: I am Arthur Simard,
25 Marine Industries Limited. My confrere has taken
26 some questions out of my mouth. That will shorten
27 my questions.

28 Q. In section 4, this first paragraph
29 which I will read:
30

"Even though we are a Canadian company we



1 "are not one of these and therefore feel en-
2 "titled to ask why others should be so protec-
3 "ted".

4 By "one of these" you mean those who come under the
5 Transport Act? You are not one of these? What is
6 the "these"?

7 A. Yes, we feel that a water carrier of
8 our kind, that this Act in effect took care of the
9 affairs of carriers of other types than our own par-
10 ticular type.

11 Q. But you say "we are not one of these".

12 A. That's right, we are not one of the
13 kind of carriers that we believe were designed to be
14 regulated by this Act.

15 Q. I see. Now, in the submissions of
16 some other companies that have appeared before this
17 Commission, they have suggested we should open our
18 waters to all countries. Would you go along with
19 that suggestion that we should open it that way,
20 whether it is on coasting or deep-sea, and have
21 everybody come, the Greeks, the Scandinavians, and
22 so on? That is, remove the privilege that is
23 given to British flag ships? Maybe, economically
24 speaking, you would be able to get cheaper rates
25 for your incoming cargo or outgoing cargo.

26 A. The only thing for which we contend
27 in our brief is for the maintenance of the status
28 quo as regards the Canada Shipping Act, and for
29 some review of the Transport Act.

30 Q. Well, would you object to opening it



to everybody? If so, why? You say that nobody
1 should have any privilege? Don't you benefit from
2 a certain privilege of having United Kingdom flag
3 ships in your own company? Don't you have a certain
4 privilege right there that you don't want to depart
5 from?

6 A. Well, we have ships of other nations
7 as well in our service and we find that privileges
8 vary. What we can do with one we cannot do with
9 another.

10 Q. Maybe it would be helpful to remove
11 all those privileges, especially in your own company
12 if you have ships under other flags. Maybe, as you
13 mentioned, your business being dependent on the need
14 or the requirements of your plant -- you said it
15 was hard to have some ships on one type of business
16 and other ships on other types -- that you want to
17 inter-change them.

18 A. Yes.

19 Q. Maybe it would remove some barriers.

20 A. May I answer your question in this
21 way, Mr. Simard? If we wanted that situation we
22 would probably start an agitation for it, but we
23 haven't so far. We are concerned here with pro-
24 posals to amend the existing laws of Canada and
25 our simple position is, there has been no demon-
26 strated need to change those laws. There is mere-
27 ly a certain amount of apprehension about what may
28 come from the Seaway. It is that sort of thing.
29 We say let's wait to see what happens. The
30



1 apprehension cannot be proven justifiably today.
2 Your question goes beyond anything we have given con-
3 sideration to so far.

4 Q. Carrying your reasoning forward, maybe
5 the Port of Montreal and all the Great Lakes ports
6 should wait until the Seaway is completed before
7 going to the expense of any expansion of those ports,
8 because they don't know what kind of traffic will go
9 through the Seaway. There is apprehension that
10 there will be an increase of traffic.

11 A. Well, that is their affair. That lies
12 in the judgment of each port to develop. As far as
13 our firm is concerned, and you are addressing your
14 questions to Saguenay Terminals, we have not con-
15 sidered the situation you have referred to. If we
16 had and decided it was favourable we would be agita-
17 ting for it.

18 Q. Well, without agitating, Mr. Baatz, I
19 think it is good to think of ourselves and to be very in-
20 dividualistic, but you have to take it as a whole
21 and see what something like the Seaway, how it will
22 affect national defence, for instance. Probably
23 the Seaway alone is not the reason for this Royal
24 Commission. It is good to be in a position to
25 visualize what will happen should there be another
26 war. I am sure your own company has to anticipate
27 things. You cannot wait until things occur.

28 Mr. Chairman, I am sorry, excuse me. I
29 should reserve myself to questions.

30 A. You are quite correct, but we haven't



1 given consideration to it in connection with this
2 Royal Commission.

3 Q. Now, in paragraph 7 you mention -- the
4 second paragraph of section 7 -- you say:

5 "In any case the participation of British
6 "ships in the coasting trade of Canada is not
7 "now and is not likely to become of serious
8 "proportions."

9 Is that an assertion or is it from certain studies
10 you have made?

11 A. The fact that there is no great parti-
12 cipation now is, I think, fairly public knowledge.
13 I think figures have been issued by the Canadian
14 Maritime Commission which demonstrate the percentages
15 of participation of United Kingdom flag ships in the
16 Canadian coasting trade.

17 Q. But it is increasing year after year.

18 A. As to whether it will become -- we
19 have said it is not likely to become of serious pro-
20 portions. That is a thoroughly serious conviction
21 of our company.

22 Q. That is what I wanted. That is a
23 thoroughly serious conviction of your company?

24 A. That's right.

25 Q. Now, you mention about ships operating
26 after the Seaway is completed with special loading
27 and unloading equipment, that some Lake carriers
28 would have a certain type of equipment that other
29 ocean-going vessels haven't got. Is it not true
30 that the loading and unloading equipment for bulk



1 carriers is shore equipment and not ship equipment?

2 A. Quite a lot of it is, yes.

3 Q. Because, from what I know, maybe 90 per-
4 cent of the ships on bulk carrying don't have any
5 loading or unloading equipment. Everything is shore
6 equipment.

7 A. Shore equipment which is, however, de-
8 signed and attuned to the type of ship in use and is
9 not necessarily capable of use for all ships or
10 capable of as efficient use for all ships.

11 Q. Thank you. Now, you mention you were
12 invited, your company was invited, with others, to
13 change from Canada flag to British flag. Would you
14 elaborate on that? There are many kinds of invita-
15 tions.

16 A. Yes. I agree. The Canadian Ship
17 Owners' Association, which is a body representing, I
18 think, the majority percentage of Canadian deep-sea
19 operators, made various representations to the Govern-
20 ment on behalf of its members pointing out the econ-
21 omic difficulty of operation under Canadian flag,
22 principally on account of cost. The Government at
23 different times considered assistance to the
24 Canadian deep-sea Merchant Marine. Its policies
25 were not at any time since the last war defined with
26 any precision. They were not defined in any pre-
27 cise pattern. It worked out a scheme with the
28 United Kingdom Government by which the deep-sea
29 ships under Canadian registry could be transferred
30 to U.K. flag. That, I think, is an inter-



1 governmental agreement. There are certain conditions
2 underlying that agreement, namely that we have to
3 use a manager in the United Kingdom. We have to
4 account to the Bank of England for all the operations
5 resulting from the employment of the ships. And
6 the balance of revenue over expenditure may be re-
7 patriated to Canada even though that balance resulted
8 from soft currency trading and were drain-off dollars
9 from Britain. The invitation of the Canadian Govern-
10 ment was implied in the fact that they went to the
11 effort of setting up these arrangements to permit
12 the Canadian flag ships to go and part of their
13 answers to the Canadian Ship Owners' Association on
14 representation for assistance were: "We have now
15 set up this scheme for you, it is available, if it
16 suits your purpose, move over."

17 As to the word "invitation" I am not sure
18 whether I could prove there was any particular letter
19 which said: "Go on, boys, go over." But you can
20 see the general background.

21 Q. In other words, it was an asked invi-
22 tation. I mean, the Canadian Government through
23 its Government channels has facilitated ---

24 A. Oh, no, I see your point now, sir.
25 May I make this clear to you, the ships we bought
26 from the Canadian Government are bound to Canadian
27 flag. We had no freedom to change them. We
28 have a flag covenant in the purchase of those ships,
29 that we must keep them under Canadian flag.

30 Q. Yes, I know, but ---



1 A. To save us just laying the ships up
2 and letting them rot, or those without resources,
3 going bankrupt, the Government had to do something,
4 they had to release us from this flag covenant or
5 give us some assistance to stay alive or let us go
6 free, or themselves arrange some scheme to let us trans-
7 fer to a more workable flag, and they elected to ar-
8 range the transfer.

9 Q. Yes, but -- I thank you for that very
10 nice explanation because the way it was expressed
11 this morning I thought the ship operators were pro-
12 bably not willing for that, but that they were invited.

13 A. If we had had the freedom we would have
14 gone possibly before. Certainly many of the operators
15 would have gone before.

16 Q. Just to show that there are many kinds
17 of invitations.

18 A. That's right.

19 Q. Thank you for clarifying that for me.

20 MR. SIMARD: That is all. Thank you.

21 COMMISSIONER WICKWIRE: Q. Would you just
22 clarify one or two things for me? This morning
23 you said the only non-shipping activity of your com-
24 pany was the ownership and operation of Port Alfred.

25 A. Yes, that is so.

26 Q. Have you a similar operation at
27 Kitimat?

28 A. No, at Kitimat the port installation
29 is owned by the Aluminum Company.

30 Q. I am not quite clear on the bauxite



1 operation from British Guiana with reference to the
2 scheduled runs from Montreal and Halifax to Vancouver
3 and Kitimat. Are those ships engaged on the return
4 voyage in the carriage of bauxite or not, or is it
5 just package ---

6 A. No, the same ships engage in both
7 trades at different times.

8 Q. So that a ship going from Montreal to
9 Vancouver or Kitimat, on its return voyage would pick
10 up bauxite, say, at British Guiana or Dutch Guiana
11 or wherever you buy it, South America, and bring it
12 to Port Alfred?

13 A. No, it wouldn't be exactly like that.

14 Q. Would you explain to me just how it
15 is?

16 A. If we had a ship in the inter-coastal
17 service with general cargo, it certainly would be
18 quite difficult on its return trip to part-load it
19 with bauxite. That wouldn't be too nice for the
20 general cargo.

21 Q. The opposite operation might apply?

22 A. The opposite might apply. Some of
23 the ships which bring up bauxite when they dis-
24 charge can then be berthed in the liner operations.
25 For instance, in Eastern Canada we have a service
26 from Eastern Canada to the United Kingdom and the
27 North Continent. Ships coming up with bauxite
28 from South America to the Saguenay River would then
29 come down to Montreal and enter that service. Or
30 they could enter the service inter-coastal from



1 Montreal and ports around to the West Coast. We
2 also operate a general cargo service from Eastern
3 Canada to the Caribbean basin. There is, for prac-
4 tical purposes, very little general cargo from the
5 Caribbean basin back to Canada. So, when we finish
6 that run we put the ships into bauxite and bring
7 them up, or we may put them into some other trade
8 like Caribbean sugar to Britain. We are just general
9 steamship operators and our aim is to have, like all
10 steamship operators, just as small a percentage of
11 ballast as we can have.



1 THE CHAIRMAN: Now, Mr. Baatz, we discussed
2 this morning the question of the divergence in
3 operating costs between U. K. registered and
4 Canadian registered ships. I suppose you could
5 give us some help also on the construction costs.
6 On Monday last we had an interesting tour of Vickers
7 and we saw a great ship on the drydock which had
8 her nose broken---

9 A. That was on hire to us; it was a
10 rented ship.

11 Q. So you are unable to tell me---

12 A. That is a Norwegian ship. I think
13 I can tell you roughly what it cost, however:
14 Something of the order of 14 million kroner,
15 say two million dollars and some odd, two and a
16 quarter million dollars, possibly.

17 Q. And only less than two years ago?

18 A. Oh, yes, she was delivered quite
19 recently, say within the last half year.

20 COMMISSIONER BELANGER: Q. Do you have any
21 idea what would have been the cost in the U. K.
22 to build a ship like that?

23 A. I would say it might be quite
24 comparable, yes. That ship was built in Sweden.

25 COMMISSIONER WICKWIRE: Q. What is her name,
26 by the way?

27 A. The "Sungran".

28 THE CHAIRMAN: Q. Would you be able to
29 estimate now its cost in Canada? When I opened
30



1 this subject up, I was of the opinion that this ship
2 was one which you had owned, but are you able to
3 give any estimate of the cost in Canada?

4 A. For a ship of that type I would hardly
5 like to put a real price on that ship in Canada.
6 I think there are too many people who could
7 challenge me, but I feel fairly certain it would
8 have cost not less than 40 per cent more, perhaps
9 50 per cent more.

10 THE CHAIRMAN: Thank you, Mr. Baatz.

11 MR. BAATZ: Thank you, sir.

12 THE CHAIRMAN: Now, I understand Mr. Munro
13 is ready.

14 MR. SIMARD: That is correct, Mr. Munro is
15 ready to proceed this afternoon, Mr. Chairman.

16 THE CHAIRMAN: Then we will have a ten-
17 minute recess.

18 ---Recess from 4:03 p.m. until 4:17 p.m.

19 ----

20 ---Upon resuming

21 MR. GERIN LAJOIE: Mr. Chairman, Mr. David
22 B. Munro is appearing on behalf of Gillespie-
23 Munro Limited, Brief No. 91.

24 DAVID B. MUNRO, called

25 MR. GERIN LAJOIE: Q. Mr. Munro, would you
26 care to mention your position in the company,
27 please?

28 A. I am Vice-President of Gillespie-
29 Munro Limited.

30 THE CHAIRMAN: Q. Yes, Mr. Munro?



A. Mr. Chairman and Commissioners, I presume

these briefs, they have been already examined and I will not attempt to read it. It is a short one, but there are a few things I would like to add to what we have there.

Our company is primarily interested in northern transportation up to places inaccessible to the railroads, the north shore of the St. Lawrence, Labrador, Hudson Bay, Ungava Bay, and we have made a business of serving these areas and we feel that the country is going north.

We started off some seven or eight years ago when I think one ship went north of Belle Isle, and in the brief time we have been in this business, seven or eight years last year, we had somewhere around 50 or 60 sailings north of Belle Isle, and, this year, we will have that many more again.

The Defence traffic is the bulk of the traffic and in any week, in that area---

THE CHAIRMAN: Q. You mean in the Straits of Belle Isle?

A. Yes, and there are companies there which are spending quite a lot of money in development and I think will eventually come through.

One of our main troubles, of course, is the navigation problem, whereby we have a very, very short season. We have about 90 days in operations north of the Hamilton Inlet. Into



1 Goose Bay you may add one month to that, maybe
2 120 days, so we have to compress our traffic into
3 that very, very short period and move the tonnage
4 required during that time.

5 That does not mean to say we can use that 90
6 days, either, because the average vessel we have
7 in operation must make two trips into the area,
8 which occupies 60 or 70 per cent of that 90 days.

9 Now, we have started off using small ships
10 from the Newfoundland Coast, and gradually have
11 graduated to the point where we are using vessels
12 of one to two thousand tons, which we find most
13 economical.

14 Our principal which we represent and operate
15 these vessels for at various times investigated
16 the possibility of building ships to suit the
17 trade and I know that last year the cost of such
18 a building in Canada was at least 30 to 40 per cent
19 higher than it would have been in the U. K.

20 Now, if that vessel is utilized for two trips
21 up north it means that all the added cost of
22 depreciation, interest on your money, extra
23 insurance and extra cost must be absorbed in the
24 two or three voyages it operates inside Canadian
25 coastal waters, and then she goes in and out,
26 in the other nine months of the year, and earns
27 her living in competition with any other flagship
28 in the world, and for that reason we feel at the
29 moment that the position should be left as it is,
30



because we cannot see any reason for a change in
1 the Act as it is and we also feel that the limits
2 of Montreal down river should be left as they are,
3 too. If we are going to charter a vessel, you
4 will not find any owner interested in chartering
5 for 60 or 80 days. We have to take them for four
6 or five months and utilize them on trade which
7 uses or brings some revenue, but we have to have
8 them not only to cover that but also Baie Comeau,
9 say, Seven Islands, St. Anthony and places of
10 that type. We have found that owners are
11 interested mainly with a four months' charter
12 and upwards.

13 Now, at the present time we are using several
14 British ships and also utilizing as many Canadian
15 ships as we can find. I think we have somewhere
16 roughly about 17 or 18 ships at sea at the
17 moment, of which the majority are Canadian
18 canal-type lakers and so on. The cost is very
19 high, but the main problem is that of getting
20 goods up there for the Defence projects.

21 If it was a commercial venture it would
22 not be feasible at all. So, for these reasons
23 we feel that until it is proven otherwise to us,
24 and the development of the North is an assured
25 fact, the position should be left as it is.

26 A lot of our suppliers, for instance,
27 people going into Goose Bay buy their goods in
28 the States and then accumulate them at the U. S.
29 port and then move them into Goose Bay. That is
30



1 done every day, thousands of tons move into Goose
2 Bay from Norfolk and Brooklyn and things of that
3 sort that we cannot compete with.

4 THE CHAIRMAN: Q. Those are U. S. Government
5 consignments flowing into the area for U. S.
6 purposes?

7 A. That is right.

8 Q. Those are the ships we saw in Halifax,
9 six at a time?

10 A. No, that was the DEW Line. I am
11 speaking of regular supply shipments.

12 Q. Are goods carried in there by American
13 ships for Canadian purchasers?

14 A. No, but what I mean is that a commercial
15 venture such as, say, supposing Cyrus Eaton
16 decides to develop his iron ore deposits,
17 he could accumulate the goods in the States at
18 U. S. ports, probably pay duty and hire a ship,
19 a deep-sea foreign ship and move them up there.
20 The cost of the Canadian ships would be too high,
21 to use them exclusively out of Montreal, as com-
22 pared to taking the goods on any other flag ship.

23 COMMISSIONER WICKWIRE: Q. How many
24 Canadian ships have you now, Mr. Munro?

25 A. At the present time we are using five,
26 I think, canal-type lakers up in that area. We
27 have three ships of British registry carrying
28 from 1,200 to 1,800 tons. We have one ship of
29 West Indian registry and half a dozen smaller
30 Canadian ships of various sizes from 300 up to



1,000 tons.

Now, if there are any questions I will endeavour to answer them. As I understand it, we are primarily interested in the North and the north shore of Quebec, Labrador, Hudson Bay and Ungava Bay. That is where we derive our trade from and our main sphere of interest.

MR. GERIN-LAJOIE: Q. Mr. Munro, do I understand that your company is a Canadian incorporated company?

A. Yes.

Q. Under the laws of Canada?

A. Dominion Charter.

Q. And is it Canadian-owned?

A. Canadian-owned entirely.

Q. I would like you to clarify one of your points for me: Are you acting as agent or as operators of ships?

A. We are acting as agents for the operators.

Q. Would you explain that operation?

A. Our main operator is Chimo Shipping of St. John's, Newfoundland, another Canadian company, and we are general agents, you might say, for them.

Q. When you say "agents", you do not mean agents to get a contract for goods to be transported?

A. We do all the work for them, getting the cargoes and loading the ships and we do all



1 the negotiations for them.

2 Q. What is, for instance, Chimo doing?
3 Are they just supplying ships to you?

4 A. They are supplying ships to us and,
5 you might say, they are primarily the financial
6 backers of the transactions, and we are general
7 agents.

8 Q. Who hires the seamen, for instance?

9 A. The seamen generally come with the
10 ship, when we make a charter. We don't generally
11 have anything to do with that.

12 Q. Do you pay Chimo a lump sum according
13 to the cargo you have?

14 A. We derive the revenue from the vessels
15 which Chimo Shipping charter and which we operate.

16 Q. Do you pay so much per day to Chimo
17 or do you pay according to the cargo/^{you}actually
18 have to transport?

19 A. We charter the ships generally on a
20 daily basis. Chimo pays the charter and we
21 turn over the revenue to them.

22 Q. You pay on a daily basis?

23 A. Yes. Chimo ships -- Chimo Shipping
24 are the actual charterers of the vessels.

25 COMMISSIONER WICKWIRE: Q. And you are the
26 managers?

27 A. That's right.

28 Q. Would you get a management fee?

29 A. Yes, I think that is the best way to
30 explain it. We are really the managers of Chimo



Shipping.

1 MR. GERIN-LAJOIE: Q. Do you have to render
2 accounts to Chimo?

3 A. Oh, yes.

4 Q. When you say you operate mainly on
5 the north shore of Quebec and Labrador Coast
6 and Hudson Bay, do you get your cargo from
7 Montreal and around Montreal, or do you go only
8 from the Quebec north shore to northern points?

9 A. The bulk of our cargo originates in
10 Montreal or at other points and is loaded at
11 Montreal. It might come from Ontario, but we
12 take delivery in Montreal and handle it from there.

13 Q. Is that the general cargo that you
14 transport?

15 A. General cargo.

16 Q. Has the number of ships for which you
17 have acted as agents, in 1954, for instance,
18 been different from the number of ships you have
19 been acting for in 1953 or 1952?

20 A. It has been growing every year,
21 definitely.

22 Q. What was the approximate number in
23 1954?

24 A. I made a rough estimate, and I think
25 there was well over 50 sailings from Montreal.

26 COMMISSIONER WICKWIRE: Q. 50 to 60, you
27 said, I think.

28 A. That's right, in that short season.

29 MR. GERIN-LAJOIE: Q. And the number of
30



David B. Munro

1 ships would have been what?

2 A. Probably 25.

3 Q. And with how many companies? Chimo is
4 one. How many more companies do you act for?

5 A. Not anybody else. They all charter
6 the ships to Chimo and we act as managers and
7 operate them for Chimo.

8 Q. Chimo only?

9 A. Yes.

10 Q. And the ships in question range in
11 tonnage from 500 to 5,000 tons?

12 A. Yes. I am speaking of cargo
13 capacity.

14 Q. What would be the tonnage of the ship
15 itself?

16 A. Well, they go in gross registered
17 tonnage or dead weight.

18 COMMISSIONER WICKWIRE: Q. Well, the lakers
19 are the ones which are 5,000 tons?

20 A. Yes. We have had the odd one bigger
21 than that, but not too often. Most of our time is
22 spent loading and unloading so we try to keep them
23 small.

24 THE CHAIRMAN: Q. Well, anything over 5,000
25 tons would not get through?

26 A. Well, the "Farendoc" will vary 2,400
27 tons through to 3,200 tons, if you want to put her
28 down -- we have actually loaded out of Sydney
29 with 3,200 tons.
30



1 Q. 500 tons, is that a schooner type?

2 A. Yes, more of a schooner type.

3 Q. And could you give the Commission
4 perhaps an idea of the tonnage of most of your
5 ships? Are they closer to 500 or 5,000? How
6 many are close to 500?

7 A. Well, that is a difficult thing to say.
8 There might be a dozen of them.

9 Q. Close to 500 tons?

10 A. Yes.

11 Q. And how many close to 5,000 tons?

12 A. Just one or two a season would go
13 that size. We try to keep them, if we can find
14 them, between 1,200 and 1,800 tons capacity.

15 Q. And out of the 25-odd ships you have
16 used in 1954, for instance, how many would be
17 U. K. registered?

18 A. I think there are three of them.

19 Q. What tonnage would they be?

20 A. Well, they carry from 1,200 up to
21 1,600, 1,700 tons.

22 COMMISSIONER WICKWIRE: Q. The same three
23 you presently have?

24 A. One, I think, is the same, that's all.

25 MR. GERIN-LAJOIE: Q. Are you using three
26 at present, during the present season?

27 A. Yes.

28 Q. And would you be ⁱⁿ a position to mention
29 the exact tonnage of each of them?

30 THE CHAIRMAN: He said 1,200 to 1,800,



1 Mr. Lajoie.

2 MR. GERIN-LAJOIE: But undoubtedly he would
3 remember the tonnage of each.

4 Q. It is not much different, I suppose?

5 A. Not an awful lot different. There are
6 two or three hundred tons difference between them.

7 Q. Did I understand you correctly---

8 THE CHAIRMAN: Pardon me.

9 Q. Whose ship was the "Farendoc"?

10 A. That is owned by N. M. Patterson
11 and Son.

12 MR. GERIN-LAJOIE: Q. All the Canadian
13 registered ships you have used, do I understand
14 you correctly, have been used for transporting
15 Government goods?

16 A. Mainly. We do carry some commercial
17 cargo with them, if it is available, but the
18 bulk of it is Government cargo, I would say.

19 Q. For how long have you been engaged
20 thus, extensively and to that extent, in trans-
21 porting Government goods?

22 A. Since the end of the last war, we
23 started.

24 Q. And do you consider this business as
25 a permanent one?

26 A. I do.

27 Q. I am asking you quite plainly because
28 I do not know the nature of the goods you
29 transport so I am wondering if they are permanent
30



1 shipments or just for the development of a larger---

2 A. At the present time the volume is
3 very heavy down there, is very heavy there, due
4 to certain Defence projects which are going on.
5 They probably will taper off, but in its wake
6 there is the re-supply of all these bases, the
7 repairs to them and also commercial developments
8 following behind them.

9 Q. When you say it would not be
10 feasible economically to transport goods for
11 commercial purposes on Canadian ships, would you
12 explain what you mean by not being feasible?

13 A. If we are forced to use ships of the
14 type I mean, 1,200 and 1,800 tons capacity, build
15 them in Canada, we have an extra cost of anywhere
16 from 30 to 40 per cent on the cost of the hull.
17 That must be amortized over the short period we
18 use them in Canada.

19 Also, we have extra insurance on the
20 increased cost of the hull, which is a considerable
21 item; we have the interest charges and so on.
22 This could not be taken care of during the season
23 when we are operating in closed waters, you
24 might say, because if we are going to operate
25 for the other nine months we are going to have
26 to bid with Scandanavian, Italian or Greek
27 ships or we do not get a cargo.

28 Q. Unless you engage in coasting trade?

29 A. Yes, and the season is too short to
30



1 justify it.

2 Q. Well, I will let you continue your
3 reasoning. The cost would be higher for Canadian
4 hulls, and you mentioned, perhaps, that that would
5 be so in these Canadian operations?

6 A. Definitely.

7 Q. How could you say it would not be
8 feasible to do that? Is it because of the fact
9 you would be facing other means of transportation
10 or because people would not like to have the goods---

11 A. Excuse me. Probably I used the wrong term
12 in "feasible". I should say "economically".

13 Q. I suppose the goods would have to be
14 transported, anyway?

15 A. Yes.

16 Q. How would they be transported?

17 A. If you are going to have commercial
18 ventures, the funds of most of these companies
19 are limited and the transportation costs are
20 terrific and if you add to that, it just about
21 makes it impossible for development in some of
22 these far northern areas. That is what it would
23 amount to.

24 Q. Can you give an example of such
25 commercial ventures, as you call them, in the
26 North, which you think you could not continue
27 operating because of transportation costs being
28 high?

29 A. Well, I mentioned a few minutes ago
30 the Ungava Bay district, where there are large



1 deposits of iron ore which are being explored.

2 Q. Do you think those ventures would not
3 be operating any more?

4 A. I wouldn't say they wouldn't operate
5 any more but it would certainly cut them down.

6 Q. Cut the profit?

7 A. There is no profit until they get them
8 going. We handle the Iron Ore Company Limited,
9 Seven Islands, all their transportation, and it
10 took four years of transportation to get the
11 railway built, before they started earning a
12 penny. That was a big item.

13 Q. I wonder why you say they would not
14 use your services any longer? That is what
15 puzzles me. They are not making any money,
16 anyway, because they are just prospecting and
17 preparing for future work.

18 A. If the cost of prospecting is too
19 high, they will probably go to some other area and
20 prospect.

21 Q. Is this just a feeling you have or
22 have you any particular facts which indicate
23 to you that some of your services would not be
24 required any longer?

25 A. We have had circumstances where people
26 come to us all the time and ask what it costs to
27 move material from point A to point B and when
28 some of them find what the costs are, they lose
29 interest right away, and I am afraid we would lose,
30 too.



1 Q. When you talk of the competition of
2 foreign ships bringing goods from U. S. ports to
3 those ports which you serve, have you ever had
4 any figures on the cost of transportation and
5 how that compared with your own costs for the
6 transportation of any specific goods?

7 A. I know this much, that we have
8 endeavoured to interest the U. S. Authorities
9 to use our services from Montreal to Goose Bay
10 and we had to drop our rates somewhere around
11 seven to eight dollars a ton before they would
12 even consider us.

13 Q. In another question put to you by the
14 Chairman a moment ago, you speak of the U. S.
15 Authorities. Is this only the U. S. Government
16 projects?

17 A. Well, Goose Bay airport is both a
18 commercial airport and a military base, and the
19 U. S. Government have three or four thousand
20 men stationed there, a large installation, and
21 all of that has to be kept supplied, and they
22 move probably 15,000 tons of equipment in and out
23 of there during the year, food and so on, at least
24 that.

25 Q. Do you know if those goods are brought
26 customs free from the United States?

27 A. Yes, that is an agreement, I believe,
28 between Canada and the U. S.

29 Q. Well, of course, this may be a reason
30 for the lower cost of the goods when delivered up



1 there compared to the cost of goods delivered by
2 you.

3 A. I know. I went down and tried to
4 interest them and I gave them a rate as low as I
5 could on behalf of our principals and it was
6 six or seven dollars a ton too high and we could
7 not meet the price and even break even.

8 Q. You have no instances of U. S. ships
9 transporting U. S. goods to Canadian settlements
10 in this northern area?

11 A. Not at the present time, but I
12 maintain if there was a big development up in
13 that area it could be a possibility.

14 Q. But of course, in that case,
15 Canadian buyers would have to pay the customs
16 duties which might compensate for the lower cost
17 of transportation and leave you in a position to
18 compete. Have you figured that?

19 A. I have figured it both ways. An
20 awful lot of the material we bring up there,
21 such as bulldozers and things like that, the
22 origin of them is in the United States, in any
23 case, Caterpillar tractors and that type of thing,
24 and a great majority of the power shovels and
25 an awful lot of general contracting equipment.
26 The origin of these is 70 per cent in the United
27 States anyway, I would say, trucks and things like
28 that. They could just as easily ship them from
29 a U. S. port and pay the duty, because they are
30



David B. Munro

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going to pay duty anyway, coming into Canada,
aren't they?

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JC

MR. GERIN-LAJOIE: Q. Can you explain a

bit more in detail why the canaller-type or lake-type of vessel is not suitable for the operations in the area in which you operate?

A. The canal-type of vessel is a vessel which is specially designed to go through the Lower Canal and up to as far as the open waters, as you know. Its maximum draught is 14 feet 3. Its length, I think, is roughly 250 feet and a beam of so many feet, and they are built so that they can get every cubic foot of space in there.

In other words, it is a big, flat-bottomed barge with a bow on it like that (indicating) instead of like that (indicating). When she gets out into the open sea they roll like nothing on earth and if they get into a head-wind they practically are stopped with it because they have such a blunt bow.

Although we use these vessels, we have to use them because they are the only ships available, they are not really satisfactory. They are built for a certain purpose and it is not the purpose to be in the open sea.

The maximum speed you can get out of them is roughly $8\frac{1}{2}$ or 9 knots. They cannot get very much faster on account of their construction.

Q. The waters in which you operate, are they really the open sea or the equivalent of the Atlantic waters?

A. Definitely. Once you get down past Anticosti Island you can strike some very nasty



1 storms. From there on it can get worse, especially
2 when you get up in the north around the tip of Ungava
3 and that area it can really get nasty.

4 Q. After the Seaway is deepened, of course,
5 the type of canalliers used at the present time may
6 still be in use, but I presume no more of them will
7 be built and that a larger type of Lake vessel will
8 be used. Do you think that type would also be un-
9 suitable for these same reasons for your own purposes?

10 A. That is all a good many years away. I
11 would not hazard a guess as to what type will be
12 found economical to operate, because that sphere of
13 operations does not interest me primarily, it never
14 has.

15 Q. What sphere do you mean by that?

16 A. West of Montreal. We are interested
17 primarily in Labrador and the Hudson Bay areas, I
18 would say.

19 Q. Do you know the new type of Lake
20 vessel, like the McLagan, I do not remember the
21 initials, and the Misener.

22 A. Yes, I know them. I have seen them
23 building them.

24 Q. Would those be suitable, as far as
25 you know, for your operations?

26 A. Well, I would not like to go out to
27 sea in them.

28 Q. For the same reason?

29 A. Well, they have not got bulkheads
30 built into them. I do not know whether they



would be licensed to go out in the open sea in their present construction. I am afraid their design would have to be modified.

Q. You have referred to the very short period of operations on the Labrador coast and Hudson Bay region, three months. You have mentioned three or four months.

A. It is about 90 days. You could figure the 23rd July to October 11th. That is the warranty limit for Lloyd's.

Q. Is it not possible to conceive that your ships may be used for the coasting trade on the inland waters of the Great Lakes and St. Lawrence River for a longer period, for a few more months?

A. No, because these vessels are too small to operate in competition with your Lake-type, which is built to carry -- which is designed to carry as much cargo as possible. We cannot carry cargo.

THE CHAIRMAN: Q. That is the Upper Laker, but at the present time you are using these British ships for that very task in the Gulf of St. Lawrence. If you had Canadian operations would you not use them for that same purpose for two or three months on the Arctic run, and the balance on the Canadian run after the navigational season in the Gulf?

A. Well, Mr. Chairman, there is a lot of regulations running up and down the canals. For instance, with that type of ship we can only



travel in the daytime, and when night comes along

1 we have to tie up. We lose a day. Instead of tak-
2 ing a day and a half or two days to go through the
3 canals it takes us three and a half days.

4 Q. I am not talking about going through
5 any canals. There are no canals below Montreal.

6 A. No.

7 Q. At the present time you charter small
8 English steamers?

9 A. That is right.

10 Q. You spend two months or three months
11 on an Arctic run. You have to charter them for, say,
12 six months. And you spend the balance three or
13 four months in the Gulf?

14 A. Yes.

15 Q. Would you not do exactly the same thing
16 if you had Canadian ships of an efficient type built
17 for freight?

18 A. When we are operating away in these
19 areas that you speak of outside of the Arctic, we
20 do not make any money. It is just a matter of sal-
21 vaging what we can.

22 MR. GERIN-LAJOIE: Q. I have one addition-
23 al question, Mr. Munro. Is it at all conceivable,
24 or have you ever considered taking a cargo else-
25 where during the off-season, as far as your region
26 is concerned, from Newfoundland to the other Mari-
27 time Provinces, or even international trade off the
28 Atlantic Coast?

29 A. Well, there is not a great deal of
30



1 demand for these small vessels. There is quite a
2 trade with newsprint and things like that down to
3 the Gulf. You have to go into business with a large
4 capital investment to make them pay. These ships
5 are too small to get into the bulk trades. You are
6 competing against big ships. It just doesn't make
7 it feasible at all. If you are carrying iron ore,
8 you cannot carry iron ore for three or four dollars
9 a ton on a small ship like that on a twenty-day
10 round-trip. There is not enough revenue in it which
11 makes an awful, awful difference if you are into
12 the 10 or 12,000-tonner.

13 Q. Does that apply on the package cargo
14 to be transported from, say, Newfoundland and the
15 Maritime Provinces?

16 A. If you are going to go into that trade
17 you have to specialize in that trade and give a
18 regular service. The package trade is generally
19 fellows like the C.N. Steamships to the West Indies,
20 or Saguenay Terminals who operate a regular line, and
21 people want regular operations, where we are just
22 operating in the off-season for two or three months.
23 On any package business they are interested in
24 people who are giving them a service for twelve
25 months of the year.

26 Q. Can you tell the Commission whether
27 there were other ships than yours operating in
28 the same region for the past few years, including
29 this year?

30 A. Pardon me?



Q. Have there been any other ships than yours operating in the same region as you?

A. Oh, yes, these other owners operate up there, other agents.

Q. Can you mention the names of other shipping companies or agents?

A. Yes. I understand that Shaw Steamship Company of Halifax operated up there several times. The Federal Commercial Navigation have operated up there. Clarke Steamship Company have operated.

Q. Up where?

A. Up in the Labrador coast, in this area. That is what I presume you mean, north of Belle Isle Straits.

Q. That is right.

A. There may be others, but those are just some I know of offhand.

Q. Do you have any rough idea of the number of ships operating apart from your own in that area?

A. Well, I think that we have had probably 75 to 80 percent of the operating in that area.

Q. In volume?

A. In volume.

Q. Can you mention to the Commission the yearly cargo you have transported, let us say in 1954, dividing it between Government and commercial?



1 A. I wouldn't like to hazard a guess on
2 that.

3 Q. Could you submit that in writing to
4 the Commission?

5 A. That would be a rather difficult thing,
6 I would have to go back through my files for the
7 last two or three years. It would be quite a job.
8 I can give you it offhand. I would say ---

9 Q. Give a rough estimate.

10 A. I would say 75 to 80 percent of the
11 cargo carried is of Government origin.

12 Q. Can you mention an estimate of the
13 volume of that cargo in tons or otherwise?

14 A. Well, last year we handled in the neigh-
15 borhood of about 30,000 tons.

16 Q. In all, Government and commercial?

17 A. Yes.

18 MR. GERIN-LAJOIE: Thank you very much.
19 That is all, Mr. Chairman.

20 COMMISSIONER WICKWIRE: Q. Mr. Munro, you
21 say in your brief:

22 "We have in the past used some canal-type
23 "Lake vessels operating under the Canadian
24 "flag and found they are not satisfactory."
25 One of the reasons for that is that neither are
26 their officers or crews experienced in such opera-
27 tions. Would you explain a little more what you
28 mean by that?

29 A. Well, most of the seamen operating on
30 canal-type Lakers are licensed on only an inland



1 coasting ticket, and although there is nothing wrong
2 with their seamanship, when they get out in the At-
3 lantic they are in unfamiliar ground.

4 We had a little trouble with that the last
5 few years, but this year we went to all the different
6 owners from whom we chartered and we asked them to
7 pick out of their crews from different ships and so
8 on crews which understand these waters and who had
9 been on salt waters before. We have eliminated
10 an awful lot of that trouble this year, I must say.

11 For instance, Paterson Steamship gave us a
12 crew of which I would say a good half of them must
13 have been experienced salt water seamen who had gone
14 inland.

15 Q. I put it to you this way. One of the
16 arguments that has been advanced before us is that
17 restrictions should be imposed to Canadian-built,
18 Canadian-owned and Canadian-operated ships, so that
19 in time of a crisis when you are looking for seamen
20 to operate the deep-sea ships you could then get a
21 nucleus direct from the Great Lakes.

22 A. That is right.

23 Q. You say that they still need deep-
24 sea experience in spite of their experience from
25 the Great Lakes.

26 A. Well, Mr. Commissioner, I will put it
27 this way. When you charter a large vessel, we
28 take it for one trip and only one trip. We put
29 them to sea. By the time they have had that one
30 trip they have gained experience, they are no more



use to it. I feel the owners are the ones that should be training them if we are going to charter the ship.

COMMISSIONER BELANGER: Q. You mean, it would not take very long to train them?

A. It is just a matter of experience, that is all, a different type of seamanship.

Q. Different conditions?

A. Yes. It is like driving a car. You can drive a small car and after a few days you are driving a big one. You see, on the Lakes they are always within ten or twelve hours of a port if something nasty happens, but if they are out there sometimes five or six days, all hell can break loose when you get a nor'easter gale blowing. I was there three years ago for three and a half weeks before I could get out, stuck in one place, because of this continual gale blowing for three and a half weeks. That is how bad it can get, even in the middle of summer.

MR. A. SIMARD: Q. Arthur Simard, Marine Industries Limited and Branch Lines Limited. Are you the agent only for Chimo Shipping, or are you the general agent for other companies?

A. That is the only company that we handle in shipping, that is, Chimo.

Q. That is the only shipping that you are agent for?

A. Yes.

Q. When you take some cargo to the northern territories, do you determine the price of



the cargo or is it Chimo Shipping which determines the price?

A. Chimo Shipping and ourselves get together and we establish a rate structure.

Q. Would you mind giving the Commission -- I think down in St. John's, Newfoundland, there was some question asked of Mr. Crosbie on behalf of Chimo Shipping, and on some of the questions asked he felt the agent may be in a better position to answer them, and so we are just facing the agent today, as to the rates in different ports from Montreal to Goose Bay, Resolute Bay, Fort Chimo, and about half a dozen ports going up north.

A. We have published tariffs, copies of which are in the hands of anybody who wants them, for the services we run between Montreal and Goose Bay. I would say the average rate per ton is about \$28 per ton carried during the season.

Q. For Goose Bay?

A. Yes.

Q. For Resolute Bay?

A. We have never operated into Resolute Bay. That is a specialized operation which the Department of Transport operate just to supply that particular spot.

Q. Fort Chimo?

A. Well, that is a different area.

Q. I have not got them all in the proper geographical location. Where do you operate?

A. We go through Hudson's Straits.



1 Q. Goose Bay -- is that just when you
2 pass Belle Isle Strait?

3 A. Yes.

4 Q. What is the further point up?

5 A. Roughly our average rate is not the
6 same as we quote there. It roughly is about \$60
7 a ton into Ungava Bay. That is including lightering
8 into shore, which is the most expensive part of our
9 operation.

10 Q. It is \$60 a ton?

11 A. Yes, roughly.

12 Q. Most of that cargo you mentioned, if
13 I am correct in saying so, is for Government accounts.

14 A. Yes, everything from a needle to an
15 anchor, you might say.

16 Q. The Government instructs you, you re-
17 ceive maybe a wire from the Department of Transport,
18 "that we have so many tons to be carried in the
19 summer to the different ports", and they tell you
20 about some ports where they have unloading facili-
21 ties and some ports where you have to find your own
22 facilities because there is no harbour. Everybody
23 receives a copy from the Department of Transport
24 every year in the last five years.

25 A. That is not necessarily every year.
26 We handled cargo for the Government into Ungava
27 Bay. This year it was all commercial. We had
28 five or six ships in there. We had \$100,000 of
29 commercial goods. I believe the Federal Commercial
30 Navigation were the successful bidders for the



1 Government cargo.

2 Q. What you carry is mostly Government?

3 A. Not into Chimo. This year it was com-
4 mercial, \$100,000. I am speaking of a vessel going
5 into Hudson Bay as well, so that is the particular
6 spot I am speaking of.

7 Q. I may have misunderstood you. I
8 thought you told the Commissioner when you were ques-
9 tioned -- you said that the Government was your big
10 customer?

3/
11 A. Well, it is of Government origin I
12 said.

13 Q. Of Government origin. All the costs
14 being increased, does not the customer have to pay
15 more if the Canadian Government had the big majority?

16 THE CHAIRMAN: The Canadian Government can
17 always afford to pay more, is that your view?

18 MR. SIMARD: No, Mr. Chairman. My view is
19 that the cargo being sent there is materials that
20 are required to maintain some depot of the R.C.M.P.
21 or different Government service, and they are
22 commodities that the public is not free to get.

23 THE CHAIRMAN: The witness pointed out the
24 fact that the increase was due to the development
25 of our northern resources.

26 MR. MUNRO: That is right.

27 MR. SIMARD: That is what I was discussing.

28 THE CHAIRMAN: And that the increases in
29 it would be hastened without higher costs.

30 MR. MUNRO: Exactly.



1 MR. SIMARD: My contention, Mr. Chairman, is
2 that what is being sent there for maintenance is a
3 very small item as compared to what they carry up
4 there.

5 THE CHAIRMAN: About 20 or 25 percent.

6 MR. MUNRO: We will handle in there this year
7 in the Bay I would say about 35 or 40,000 tons, of
8 which 20 to 25 will be for commercial purposes. That
9 is still a considerable tonnage if you figure there
10 was nothing seven years ago. I maintain it is going
11 to continue to build provided it is encouraged and
12 our costs are not too high.

13 MR. SIMARD: I think that is only a mis-
14 understanding on my part. Thank you very much.

15 THE CHAIRMAN: Further examination?

16 Thank you very much, Mr. Munro.

17 ---Witness retires.

18
19 THE CHAIRMAN: 10.00 o'clock tomorrow morn-
20 ing.

21
22 ---Whereupon the proceedings adjourned at 5:10 P.M.
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